

CMP: INR 1,746

Rating: NA | Outlook: Positive

Target Price: NA

Stock Info

BSE	501423
NSE	SHAILY
Bloomberg	SHEP:IN
Sector	Plastic Products
Face Value (INR)	10
Mkt Cap (INR Mn)	16,020
52w H/L (INR)	2099/870
Avg Daily Volume (in 000')	11

Shareholding Pattern %

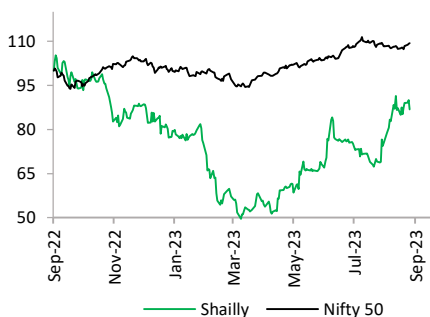
(As on July, 2023)

Promoters	43.81
Public & Others	56.19

Stock Performance (%) 1m 6m 12m

SHAILY	18.3	59.5	-10.7
NIFTY	2.54	16.13	11.07

SHAILY Vs Nifty



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We visited the Savli plant of Shaily Engg where the company manufactures consumer, lighting and medical devices.

Pharma & healthcare business:

•Company is currently into CRAMs and IP led business which constitutes 70:30 contribution of Pharma business. But going forward, 3-4 years down the line, the revenue shift will change significantly to 20:80 as IP led business will grow exponentially.

•For FY26, company is planning to grow 60% in pharma business

•Company has recently installed 12 moulding machines in pharma segment. With this the total tally is up to 28 moulding machines. There is space to add another 24 machines in the future. Moulding machines have capacity ranging from 35-350 tonnes

•Current demand will be from IP led business. **Liraglutide and Semaglutide are the pens which will next triggers in revenue generation.**

Semaglutide is a patented product of Novo which is roughly USD 8 Bn product globally. Main volume of sales for Liraglutide will be seen from start of FY25 and for Semaglutide by FY27 but development and some amount of commercial sales have already started (Semaglutide goes off patent in FY30).

•In FY23, Shaily sold 12 Mn pens (including auto injectors). **In FY24, company aims to sell 15 Mn pens.**

•Company specializes in processing high-performance engineering polymers such as PA6/66/12, PES, PPS, PBT, LCP, PC, Torlon, and PEEK.

•Company sources RM from a few domestic players and imports as well

•Pricing on IP led business is not on pass through method (but Gross margins in IP business are very high). In IP led business, pricing is derived on volumes. In CRAMs, it is pass through method

•**Some of the clients in pharma business are Sun Pharma, Biocon, Sanofi, Wockhardt**

Carbon Steel

•Company has capacity to produce 2,000 tonnes per annum

•Company will achieve 60-65% utilization in FY24 and reach 75-80% utilization in FY25

Other KTAs

•Company is planning to install solar panels at Halol plant in current FY

•No plans to enter B2C yet

•Company is not actively pursuing Toys business but remains a focus area. The demand in Toys business is remains subdued

Outlook:

There is strong growth in the medical devices (Pharma and healthcare) segment. Company is constantly on strong footing to add new off patent products to their basket for medical devices. Growth opportunity looks ample. 2/3rd of Semaglutide pens filing has been done with Shaily's pen IP. This in itself is a big opportunity. Company has a strong emphasis on ESG as part of their customer acquisition is relied on their ESG practices. Going ahead, the domestic contribution will be at 35-40%. For FY24, company is confident of delivering strong growth, especially beating their conservative guidance. At CMP, company trades 41.9x TTM EPS. **We are bullish on the company and their long term performance. We will release a detailed note soon.**

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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