

Strong positioning for future: Time to add for long term

CMP: INR 822

Rating: NA | Outlook: Positive

Target Price: NA

Stock Info

BSE	501423
NSE	SHAILY
Bloomberg	SHEP:IN
Sector	Plastic Products
Face Value (INR)	2
Mkt Cap (INR Bn)	37.71
52w H/L (INR)	987/658
Avg Daily Volume (in 000')	255

Shareholding Pattern %

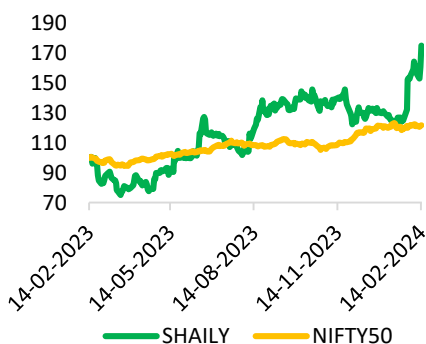
(As on June, 2024)

Promoters	43.81
Public & Others	56.19

Stock Performance (%)

	1m	6m	12m
SHAILY	-1.4	142	211
NIFTY	2.9	14.3	25.7

SHAILY Vs Nifty



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Decent set of performance, margins in-line with expectations. Key takeaway is the pen injector orders

Q1FY25 Operating Metrics (Consol)

- **Revenues** came in at INR 1,793.88 Mn (+5.18% QoQ) (+14.04% YoY)
- **EBITDA** came in at INR 354.25 Mn (+2.11% QoQ) (+32.27% YoY)
- **EBITDA Margins** came in at 19.75% (Vs 20.34% QoQ) (Vs 17.03% YoY)
- **Adj. PAT** came in at INR 174.1 Mn (-9.96% QoQ) (+38.13% YoY)
- **PAT Margins** came in at 9.67% (Vs 11.23% QoQ) (Vs 7.97% YoY)
- **Volumes** for the quarter (tonnes): 5,902 (Vs 5,380 QoQ) (Vs 5,822 YoY)
- **Utilization** levels at 39.3% (Vs 39.8% QoQ) (Vs 43.1% YoY)

Other Highlights:

- **New orders:** received new business under FMCG segment (2 products under development), order for export of knobs and contract for 2 new pen injectors
- Exports contributed to 79.9% of business during the quarter (Vs 74.8% YoY)
- Consumer segment contributed to 74% of revenues in Q1, Healthcare at 15.3% and industrial at 10.7%
- ROCE at 20.6% and ROE at 15.6% for Q1FY25

Company has received a huge order in pen sales, which will be supplied over the next 1.5 years. The order will lead to company achieving over 60% growth in insulin pen sales this year. Moreover, Liraglutide and Terizepatide commercial sales will start in FY25 and Semaglutide will start in FY26. Company will also look to increase capacity in healthcare in FY27.

Outlook:

Company has recorded strong orderbook for current year by winning the insulin pen orders. This year will see massive jump in pharma sales. Company has ample capacity to cater to it. Along with the pen sales, the platform fees will aid margins. Going ahead, we expect the growth in pen sales to continue as more drugs will get off patent and more contract manufacturers will come on board. Company has plans to increase capacity in healthcare as well. Other segments performing decently as well (strong orderbook). Orders received last year will be executed now. We continue to remain positive on the company, at CMP, stock trades 60.7x TTM EPS

We had come out with our note in June 2023, link to the report:

<https://bit.ly/3Ouf1Z1>

	Machine Utilisation across plants (%)					
Quarter	Q1FY21	Q1FY22	Q1FY23	Q1FY24	Q4FY24	Q1FY25
Utilisation %	34.0%	56.1%	49.7%	43.1%	39.8%	39.3%

	Volume of polymers processed (MT)					
Quarter	Q1FY21	Q1FY22	Q1FY23	Q1FY24	Q4FY24	Q1FY25
Volume (Mt)	1,815	4,093	6,544	5,822	5,380	5,902

About the company: The Company was established in 1987 and is engaged in the manufacture and sale of injection molded precision plastic components serving industries such as medical devices, home furnishing, Toys, Personal Care, automotive components in plastic and steel furniture

Shaily Engineering Plastics Ltd (Consol) INR Mn.	Q1FY25	Q1FY24	YoY Growth	Q4FY24	QoQ Growth
Revenue	1,793.88	1,573.05	14.04%	1,705.59	5.18%
RM	1,038.55	926.74	12.06%	907.95	14.38%
Employee cost	178.87	137.35	30.24%	157.99	13.22%
Power & Fuel	76.20	81.56	-6.57%	71.24	6.97%
Other Exp	146.02	159.59	-8.51%	221.49	-34.08%
EBITDA	354.25	267.81	32.27%	346.92	2.11%
Other income	7.10	8.71	-18.49%	15.70	-54.79%
Depreciation	101.44	81.73	24.11%	99.96	1.47%
Finance	43.57	38.98	11.77%	46.95	-7.19%
PBT	216.34	155.81	38.85%	215.71	0.29%
Tax	42.24	29.77	41.90%	22.34	89.04%
PAT	174.10	126.04	38.13%	193.37	-9.96%
EPS	3.80	2.75	38.13%	4.22	-9.96%

Revenue Contribution				
	FY21	FY22	FY23	FY24
Domestic	26.4%	23.9%	23.0%	26.10%
Export	73.6%	76.1%	77.0%	73.90%

Plants		
Rania	Halol (Old)	Halol (New)
Export Oriented Unit	Automotive and Engineering	Carbon Steel
Pharma (Dedicated ISO 8 clean room manufacturing facility)		New plastic facility for Pharma completed construction
Others		

7 facilities with over 200 molding machines ranging from 35 tonnes to 1,000 tonnes

Shaily Engineering Plastics Q1FY25 Conference Call Highlights**Key Highlights:**

2 new orders for products in FMCG (Products under development) and 2 new pen injector orders confirmed.

Pen injector orders for reusable device and Nasal inhaler.

FY25 pen sales to be at approx. 17 Mn (Vs 10-12 Mn in FY24)

Q1FY25 has no revenue booking of orders from Q1 presentation, all will reflect in coming quarters.

Order for Knobs is from existing customer. Overall domestic business looks like slowing down but is also going to grow strongly.

Europe demand recovery is not strong. Don't see recovery yet. Home furnishing and Carbon steel business partially affected. Carbon steel segment will see 4 new projects which will be completed in Q2 and Q3

Company has discontinued toys segment and has moved all facilities to other segments (Except healthcare)

Going ahead company may look in the segment of consumer electronics (high performing polymers)

Pharma and Healthcare sales:

Company booked a big order for supply of 10 Mn pens in the insulin market. 70% of supply will be done in the current year, remainder next year.

Only 2 pens in the entire market which are spring driven (Novo Flex Touch and Shaily Neo). Remainder all mechanical pens. Company has taken exceptional care to not fall infringement issues. Has spent ~180,000 USD to have FTO (freedom to operate)

Liraglutide has no IP hurdles now, Terizepatide will be launched in European Union and North America in FY25, Semaglutide will have launches in Brazil, India, Canada and potentially China in FY26. Trizepatide will become offpatent in 2036.

Company has supplied 3 exhibit batches (10,000 pens per batch). 1st supply is always 3PQ batches.

Till now, company has supplied Terizepatide and Liraglutide exhibit batches, most of semaglutide also done. Now company will be doing exhibit batches for the weight loss version of Semaglutide

Company will have launches in regulated markets for Liraglutide and Terizepatide (more confident on launch of Terizepatide).

If Liraglutide launch happens this year then company can do 1 Mn pen sales this year and 2-3 Mn next year. The Liraglutide market is roughly of 50 Mn pens. Company has orders from clients but is waiting confirmation to manufacture
Margins in GLP1 and Insulins both are healthy, GLP1 has higher margins but Insulin has healthier sales.

Shaily UK also has a strong pipeline for growth, expect 35-40% growth

Company will look to expand capacity in healthcare segment in 18-24 months

Company expects 70% of generic players to file for GLP1

Machine Utilisation across plants (%)

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Utilisation %	66.8%	74.0%	68.5%	63.8%	58.0%	59.7%	42.2%	40.10%

Volume of polymers processed (MT)

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Volume (Mt)	10,054	13,039	13,258	13,293	14,602	19,474	20,615	22,098

Trizepatide: Goes off patent in 2036, company will be able to start production by sept and start supplies by January. All the tools have been qualified for production. Company will be able to sell to generics and contract manufacturers in 2036 only

Outlook:

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Income Statement (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue from Operations	3,197.45	3,383.4	3,360.42	3,605.96	5,677.07	6070.658	6,438.71
Consumption of Raw Materials	1,999.3	2,145.95	1,990.64	2,271.43	3,790.41	3,682.26	3,750.41
Changes in Inventories of FG and WIP	(11.55)	(49.43)	(11.59)	(118.84)	(215.46)	182.56	-49.46
Gross Profit	1,209.7	1,286.88	1,381.37	1,453.38	2,102.12	2,205.83	2,737.75
Power and Fuel	155.975	171.757	173.737	179.376	269.217	264.63	292.38
Employee Benefit Expense	197.256	246.664	259.662	342.248	433.292	479.378	573.02
Other Expenses	309.849	342.272	366.98	336.188	587.724	542.919	702.95
EBITDA	546.62	526.19	580.99	595.57	811.89	918.91	1,169.4
Other Income	22.14	17.82	9.91	25.81	88.27	45.04	64.93
Depreciation and Amortization	144.935	149.164	178.932	195.26	265.374	333.055	356.89
Finance Costs	67.273	95.294	104.99	127.282	169.448	178.823	178.96
PBT	356.55	299.55	306.98	298.84	465.34	452.07	698.47
Taxes and Other Expenses	103.36	106.738	71.075	78.627	112.675	100.576	125.57
PAT	253.19	192.81	235.9	220.21	352.66	351.5	572.91
Basic EPS - Continuing Operations	5.742	4.636	5.672	5.294	7.688	7.664	12.49

Exhibit 1: Utilization Levels Quarterly (%)

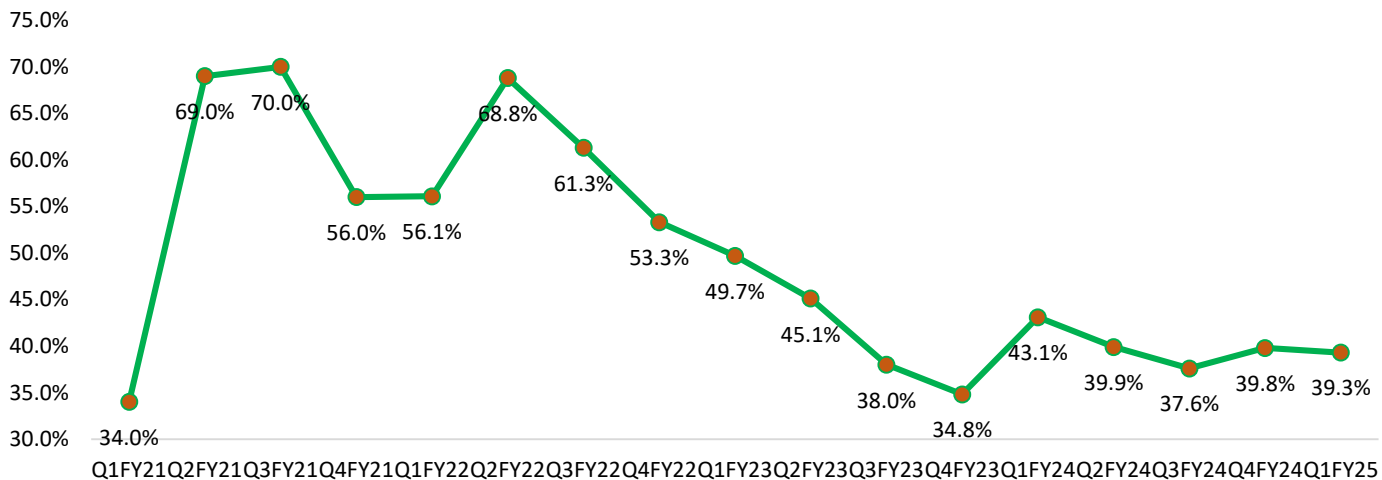
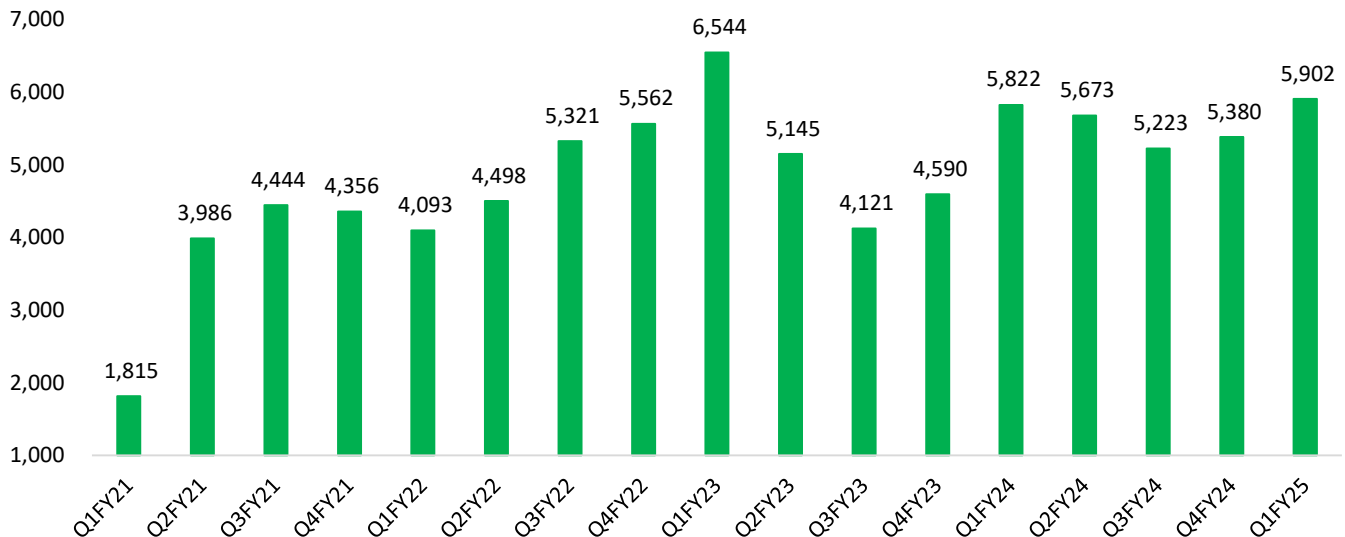


Exhibit 2: Volume of Polymers processed (Tonnes)



Balance Sheet (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Current Assets							
Cash and Cash Equivalents	3.53	5.50	70.23	9.83	351.47	191.38	222.17
Bank Balances Other Than Cash and Cash Equivalents	33.34		28.18	19.34	119.12	39.05	41.447
Trade Receivables	681.69	596.06	610.25	695.34	1,016.91	919.25	1173.55
Loans	0.66	1.24	1.87	2.74	2.46	54.53	64.314
Inventories	407.14	430.91	496.88	668.69	1,114.25	729.75	836.035
Other Current Assets	362.54	163.94	259.80	323.89	350.06	398.39	315.352
Other Financial Assets	96.65	152.57	64.87	48.51	47.99	44.79	19.154
Total Current Assets	1,585.55	1,362.82	1,532.09	1,768.33	3,002.26	2,377.14	2,672.03
Noncurrent Assets							
Capital Work in Progress	57.55	27.05	371.90	230.55	161.21	489.78	153.2
Right of Use Assets					16.03	11.30	6.388
Property, Plant and Equipment	1,063.70	1,439.77	1,549.31	2,208.57	3,223.63	3,479.14	4354.272
Non-current Investments	2.04	2.04	2.01	0.01	0.01	0.08	0.008
Income Tax Assets, Net		19.03	32.37	39.99	19.74	20.82	27.11
Loans	1.81	2.11	4.53	4.54			
Intangible Assets	11.60	10.35	21.47	59.82	89.81	178.98	373.387
Intangible Assets Under Development		22.41	87.65	73.13	125.02	192.83	50.702
Other Non-current Assets	47.57	173.80	139.53	231.37	100.11	172.06	182.765
Other Financial Assets	78.36	56.35	73.86	54.12	34.19	4.71	4.708
Total Assets	2,848.18	3,115.72	3,814.70	4,670.43	6,772.00	6,926.85	7,824.57
Current Liabilities							
Total O/s Dues of MSME	18.14	3.74	33.37	44.75	95.88	50.60	113.909
Total O/s Dues of Creditors Other Than MSME	351.32	321.30	485.98	421.14	759.72	487.90	572.655
Short-term Borrowings	639.31	510.66	505.52	448.72	722.04	1,232.48	1385.188
Lease Liability					4.44	3.82	3.155
Short-term Provisions	5.45	6.06	6.83	8.57	8.97	12.01	12.793
Other Current Liabilities	17.07	79.95	137.98	99.97	227.54	191.29	101.227
Other Financial Liabilities	284.78	260.57	223.43	401.82	77.61	103.58	103.356
Total Current Liabilities	1,335.42	1,182.29	1,393.13	1,424.96	1,896.20	2,081.68	2,292.28
Noncurrent Liabilities							
Long-term Borrowings	209.62	471.57	721.16	1,283.64	1,015.95	625.35	698.33
Lease Liability					12.06	7.78	3.9
Deferred Tax Liability, Net	42.15	80.37	73.42	102.75	131.76	170.27	208.364
Other Long-term Liabilities	8.11	7.95	3.60	3.45	17.30	1.02	8.112
Provisions	9.82	12.18	14.60	15.72	18.22	23.32	21.849
Other Financial Liabilities			14.98	21.26	10.56	3.39	
Non Current Liabilities Total	269.69	572.06	827.76	1,426.82	1,205.84	831.11	940.56
Shareholders' Equity							
Common Stock - Par Value	83.18	83.18	83.18	83.18	91.74	91.74	91.735
Other Equity	1,159.88	1,278.19	1,510.63	1,735.47	3,578.23	3,922.25	4499.993
Total Shareholders Equity	1,243.06	1,361.38	1,593.82	1,818.66	3,669.96	4,013.98	4,591.73
Total Liabilities & Shareholders Equity	2,848.18	3,115.72	3,814.70	4,670.43	6,772.00	6,926.77	7,824.57

Cash Flow (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23
Operating Activities						
Net Profit/loss before Taxation	342.28	299.55	306.98	298.84	465.34	452.07
Depreciation and Amortization Expenses	144.94	149.16	178.93	195.26	265.37	333.06
Gain/loss on Sale of PPE	-0.19	0.01	0.25	-0.08	-0.27	0.08
Allowance for Credit Losses	NA	0.64	3.71	1.51	10.92	3.54
Unrealized Exchange Gain/loss	-5.50	4.71	9.49	-17.94	-15.78	14.93
Interest Incomes	-2.63	-2.28	-1.42	-2.52	-22.53	-28.99
Finance Costs	67.27	95.29	104.99	127.28	169.45	178.82
Trade Receivables	-219.97	84.60	-18.58	-85.09	-332.49	94.13
Inventories	-131.79	-23.77	-65.97	-180.12	-452.62	371.68
Trade Payables	207.67	-44.41	186.64	-53.47	389.73	-327.64
Other Receivables and Advances	-181.57	185.03	-96.07	-62.29	-31.60	-100.42
Other Financial Assets	-174.41	-34.22	63.90	59.45	16.68	20.06
Other Liabilities & Provisions	87.09	57.21	76.40	-4.64	143.96	-63.89
Cash Flow from Operating Activities	133.19	771.80	749.94	284.50	614.17	946.78
Taxes Paid (net of Refunds)	-80.01	-107.21	-89.94	-59.91	-64.09	-59.84
Net CFO	53.18	664.59	660.00	224.60	550.08	886.94
Investing Activities						
Purchase of PPE	-263.04	-622.06	-541.90	-748.43	-1,110.74	-944.16
Proceeds From Sale of PPE	1.70	0.05	0.18	0.25	0.65	0.74
Purchases of Intangible and Int. U/D	NA	-26.23	-82.55	-81.91	-97.09	-172.24
Bank Balances not Considered as C&CE	2.53	20.65	-15.58	8.84	-99.78	80.07
Interest Received	2.78	2.29	1.43	2.17	15.51	26.97
Cash Flow from Investing Activities	-256.03	-625.29	-638.41	-819.07	-1,291.45	-1,008.63
Financing Activities						
Repayment of long-term borrowings	-220.53	-219.84	-216.11	-110.03	-270.61	-381.72
Proceeds from Long-terms Borrowings	271.60	478.14	360.35	825.98	138.00	-
Changes in Working Capital Loans	267.84	-128.65	-5.14	-56.81	NA	
Repayment of Working Capital Loans, Net					-118.13	499.74
Repayments on Lease Liabilities					-4.91	-6.04
Finance Costs Paid	-68.33	-92.18	-96.22	-125.27	-158.14	-163.24
Cash Flow from Financing Activities	200.63	-37.66	42.90	533.87	1,082.86	-51.27

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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