

**CMP: INR 1,723**

**Rating: NA | Outlook: Positive**

**Target Price: NA**

**Stock Info**

BSE	501426
NSE	SHAILY
Bloomberg	SHEP:IN
Sector	Plastic Products
Face Value (INR)	10
Mkt Cap (INR Mn)	15,940
52w H/L (INR)	2100/955
Avg Daily Volume (in 000')	10

**Shareholding Pattern %**

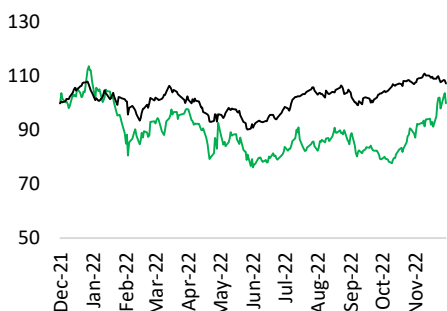
(As on Sept, 2023)

Promoters	43.81
Public & Others	56.19

**Stock Performance (%) 1m 6m 12m**

SHAILY	-5.9	46	0.8
NIFTY	-0.9	6.25	6.9

**SHAILY Vs Nifty**



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**Flattish performance on topline and weaker on margins. Continued strong outlook on better H2 healthcare sales.**

**Operating Metrics (Consol)**

- **Revenues** came in at INR 1.58 Bn (+0.17% QoQ) (-2.29% YoY)
- **EBITDA** came in at INR 235.86 Mn (-11.9% QoQ) (-5.8% YoY)
- **EBITDA Margins** came in at 14.97% (Vs 17.03% QoQ) (Vs 15.52% YoY)
- **Adj. PAT** came in at INR 108.25 Mn (-14.11% QoQ) (+7.42% YoY)
- **PAT Margins** came in at 6.74% (Vs 7.97% QoQ) (Vs 6.22% YoY)

**Key Figures:**

- Total volumes processed at 5,673 tonnes (-2.6% QoQ) (+10.3% YoY)
- Q2FY24 utilisation at 39.9% (Vs 50.4% QoQ) (Vs 45.1% YoY)
- Share of exports at 74.5 in H1FY24

**Other KTAs:**

- New applicator project for Pharma for total value of INR 350 Mn per annum with supplies starting in Q2FY25
- New order for Home Furnishings (Plastic) for total value of INR 500 Mn per annum with supplies starting in Q2FY25
- New order for Automotive with 3 new components for total value of INR 35 Mn per annum with supplies starting in Q2FY25
- New packaging development for FMCG in works. Received order for supply of 6 new components to ASCO
- CSO Sanjay Shah appointed as CFO

**Outlook:**

Company had earlier guided for sale of 15 Mn pens in FY24 but may not be able to achieve it in FY24. For FY25, company will give guidance in Q4. From current ongoing discussions, company expects 60% conversion to actual orders. For H2, company is extremely positive on pen sales (healthcare) and believes that the margins will expand compared to H1. Company continues with their guidance of 50-60% growth in healthcare segment. If there is any positive news on the innovator side then the company will go on to deliver exceptional numbers. **We continue to remain positive on the company. At CMP, company trades 40.5x 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	Q2FY21	Q2FY22	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Utilisation %	69.0%	68.8%	45.1%	38.0%	34.8%	43.1%	39.9%

	Volume of polymers processed (MT)						
Quarter	Q2FY21	Q2FY22	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Volume (Mt)	3,986	4,498	5,145	4,121	4,590	5,822	5,673

**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.	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth
Revenue	1,575.69	1,612.69	-2.29%	1,573.05	0.17%
RM	977.79	1,037.37	-5.74%	926.74	5.51%
Employee cost	130.83	117.33	11.50%	137.35	-4.75%
Power & Fuel	75.03	71.04	5.62%	81.56	-8.00%
Other Exp	156.18	136.60	14.34%	159.59	-2.14%
<b>EBITDA</b>	<b>235.86</b>	<b>250.35</b>	<b>-5.79%</b>	<b>267.81</b>	<b>-11.93%</b>
Other income	29.71	8.52	248.96%	8.71	241.19%
Depreciation	81.07	76.43	6.07%	81.73	-0.81%
Finance	43.08	42.04	2.49%	38.98	10.52%
<b>PBT</b>	<b>141.42</b>	<b>140.40</b>	<b>0.73%</b>	<b>155.81</b>	<b>-9.23%</b>
Tax	33.17	39.63	-16.29%	29.77	11.44%
<b>PAT</b>	<b>108.25</b>	<b>100.77</b>	<b>7.42%</b>	<b>126.04</b>	<b>-14.11%</b>
<b>EPS</b>	<b>11.80</b>	<b>10.99</b>	<b>7.42%</b>	<b>13.74</b>	<b>-14.11%</b>

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

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 under construction
Others		

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

## Q2FY24 Concall KTAs

**Key Operational and Business Highlights:**

- H2 will see bulk of pen sales but will not hit target of 15 Mn pens of FY24
- Own IP pen sales are not just insulin but also GLP1 and other drugs
- Company had participated in CPHI conference where it received extremely positive feedback and is in talks with innovators and generic players both. Discussion with 2 international customers at the moment
- For H1, UK subsidiary did not contribute well on pharma topline. Hence gross margins were impacted
- Q3 and Q4 will have decent topline (under INR 2 Bn) but better margin numbers
- Capex ongoing will spill over to Q3. Capex is for healthcare segment
- CEO hunt is still going on. A candidate was finalised but backed out the last moment
- Other income is higher due to forex gain
- Going ahead company continues to see 50-60% growth in healthcare segment
- Company is in talks with 1 innovator for normal molecule. The innovator is evaluating their products
- Difference between innovators and generic players is that the volumes with generic players are known but not known with innovators. So the upside is huge with innovators if the product is a hit

**Discussion on orders:**

- Orders are recurring in nature. Volumes not given for ASCO as they will be differing every year. ASCO is 15-18 year old client
- Company also received confirmation for order in steel furnishings segment
- New orders in announced are different from those announced in Q1
- From current ongoing discussions, company expects 60% conversion to actual orders.
- The FMCG packaging order is a client based order. The delivery will start in 4-6 months.

**New Orders**

- New applicator project for Pharma for total value of INR 350 Mn per annum with supplies starting in Q2FY25
- New order for Home Furnishings (Plastic) for total value of INR 500 Mn per annum with supplies starting in Q2FY25
- New order for Automotive with 3 new components for total value of INR 35 Mn per annum with supplies starting in Q2FY25
- New packaging development for FMCG in works. Received order for supply of 6 new components to ASCO

**Other KTAs:**

- H1 volumes at 11,495 tonnes and capacity utilisation at 41.5%
- INR 1.9 Bn Net debt
- ROCE: 14% | ROE: 9.3%
- D/E: 0.5x | Debt/EBITDA: 2.1x
- Fixed Asset turnover: 0.9x | OCF to EBITDA: 72.3%

**Outlook:** Company had earlier guided for sale of 15 Mn pens in FY24 but may not be able to achieve it in FY24. For FY25, company will give guidance in Q4. From current ongoing discussions, company expects 60% conversion to actual orders. For H2, company is extremely positive on pen sales (healthcare) and believes that the margins will expand compared to H1. Company continues with their guidance of 50-60% growth in healthcare segment. If there is any positive news on the innovator side then the company will go on to deliver exceptional numbers. **We continue to remain positive on the company. At CMP, company trades 40.5x TTM EPS**

**Machine Utilisation across plants (%)**

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

**Volume of polymers processed (MT)**

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

## Income Statement (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23
<b>Revenue from Operations</b>	<b>3,197.45</b>	<b>3,383.4</b>	<b>3,360.42</b>	<b>3,605.96</b>	<b>5,677.07</b>	<b>6070.658</b>
Consumption of Raw Materials	(1,999.3)	(2,145.95)	(1,990.64)	(2,271.43)	(3,790.41)	(3,682.26)
Changes in Inventories of FG and WIP	11.55	49.43	11.59	118.84	215.46	(182.56)
<b>Gross Profit</b>	<b>1,209.7</b>	<b>1,286.88</b>	<b>1,381.37</b>	<b>1,453.38</b>	<b>2,102.12</b>	<b>2,205.83</b>
Power and Fuel	(155.98)	(171.76)	(173.74)	(179.38)	(269.22)	(264.63)
Employee Benefit Expense	(197.26)	(246.66)	(259.66)	(342.25)	(433.29)	(479.38)
Other Expenses	(309.85)	(342.27)	(366.98)	(336.19)	(587.72)	(542.92)
<b>EBITDA</b>	<b>546.62</b>	<b>526.19</b>	<b>580.99</b>	<b>595.57</b>	<b>811.89</b>	<b>918.91</b>
Other Income	22.14	17.82	9.91	25.81	88.27	45.04
Depreciation and Amortization	(144.94)	(149.16)	(178.93)	(195.26)	(265.37)	(333.06)
Finance Costs	(67.27)	(95.29)	(104.99)	(127.28)	(169.45)	(178.82)
<b>PBT</b>	<b>356.55</b>	<b>299.55</b>	<b>306.98</b>	<b>298.84</b>	<b>465.34</b>	<b>452.07</b>
Taxes and Other Expenses	(103.36)	(106.74)	(71.08)	(78.63)	(112.68)	(100.58)
<b>PAT</b>	<b>253.19</b>	<b>192.81</b>	<b>235.9</b>	<b>220.21</b>	<b>352.66</b>	<b>351.5</b>
<b>Basic EPS - Continuing Operations</b>	<b>28.71</b>	<b>23.18</b>	<b>28.36</b>	<b>26.47</b>	<b>38.44</b>	<b>38.32</b>

Exhibit 1: Utilization Levels Quarterly (%)

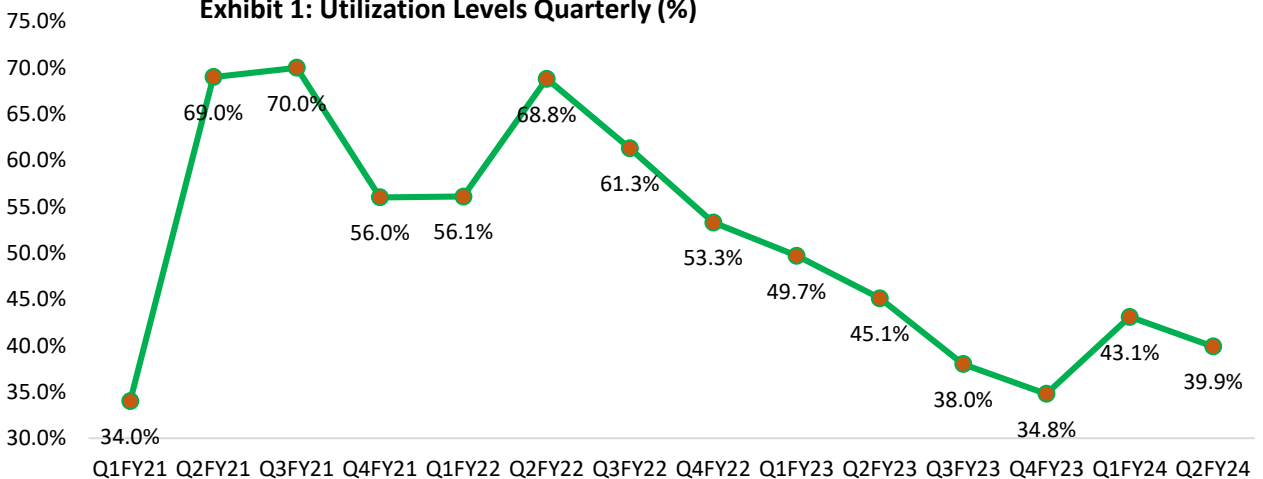
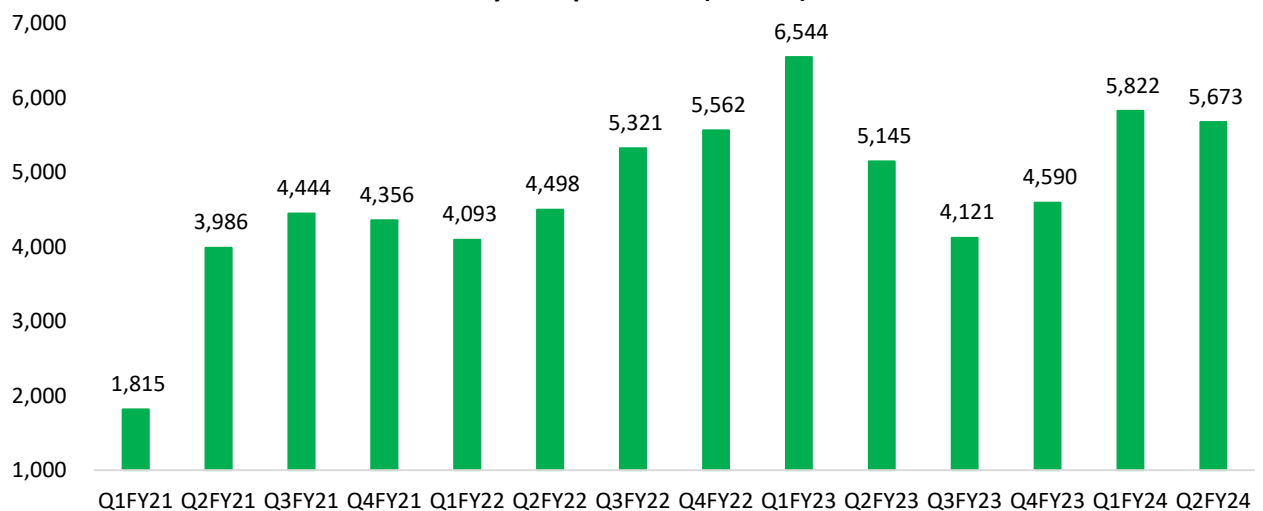


Exhibit 2: Volume of Polymers processed (Tonnes)



## Balance Sheet (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23
<b>Current Assets</b>						
Cash and Cash Equivalents	3.53	5.50	70.23	9.83	351.47	191.38
Bank Balances Other Than Cash and Cash Equivalents	33.34		28.18	19.34	119.12	39.05
Trade Receivables	681.69	596.06	610.25	695.34	1,016.91	919.25
Loans	0.66	1.24	1.87	2.74	2.46	54.53
Inventories	407.14	430.91	496.88	668.69	1,114.25	729.75
Other Current Assets	362.54	163.94	259.80	323.89	350.06	398.39
Other Financial Assets	96.65	152.57	64.87	48.51	47.99	44.79
<b>Total Current Assets</b>	<b>1,585.55</b>	<b>1,362.82</b>	<b>1,532.09</b>	<b>1,768.33</b>	<b>3,002.26</b>	<b>2,377.14</b>
<b>Noncurrent Assets</b>						
Capital Work in Progress	57.55	27.05	371.90	230.55	161.21	489.78
Right of Use Assets					16.03	11.30
Property, Plant and Equipment	1,063.70	1,439.77	1,549.31	2,208.57	3,223.63	3,479.14
Non-current Investments	2.04	2.04	2.01	0.01	0.01	0.08
Income Tax Assets, Net		19.03	32.37	39.99	19.74	20.82
Loans	1.81	2.11	4.53	4.54		
Intangible Assets	11.60	10.35	21.47	59.82	89.81	178.98
Intangible Assets Under Development		22.41	87.65	73.13	125.02	192.83
Other Non-current Assets	47.57	173.80	139.53	231.37	100.11	172.06
Other Financial Assets	78.36	56.35	73.86	54.12	34.19	4.71
<b>Total Assets</b>	<b>2,848.18</b>	<b>3,115.72</b>	<b>3,814.70</b>	<b>4,670.43</b>	<b>6,772.00</b>	<b>6,926.85</b>
<b>Current Liabilities</b>						
Total O/s Dues of MSME	18.14	3.74	33.37	44.75	95.88	50.60
Total O/s Dues of Creditors Other Than MSME	351.32	321.30	485.98	421.14	759.72	487.90
Short-term Borrowings	639.31	510.66	505.52	448.72	722.04	1,232.48
Lease Liability					4.44	38.20
Short-term Provisions	5.45	6.06	6.83	8.57	8.97	12.01
Other Current Liabilities	17.07	79.95	137.98	99.97	227.54	191.29
Other Financial Liabilities	284.78	260.57	223.43	401.82	77.61	103.58
<b>Total Current Liabilities</b>	<b>1,335.42</b>	<b>1,182.29</b>	<b>1,393.13</b>	<b>1,424.96</b>	<b>1,896.20</b>	<b>2,116.06</b>
<b>Noncurrent Liabilities</b>						
Long-term Borrowings	209.62	471.57	721.16	1,283.64	1,015.95	625.35
Lease Liability					12.06	7.78
Deferred Tax Liability, Net	42.15	80.37	73.42	102.75	131.76	170.27
Other Long-term Liabilities	8.11	7.95	3.60	3.45	17.30	1.02
Provisions	9.82	12.18	14.60	15.72	18.22	23.32
Other Financial Liabilities			14.98	21.26	10.56	3.39
<b>Non Current Liabilities Total</b>	<b>269.69</b>	<b>572.06</b>	<b>827.76</b>	<b>1,426.82</b>	<b>1,205.84</b>	<b>831.11</b>
<b>Shareholders' Equity</b>						
Common Stock - Par Value	83.18	83.18	83.18	83.18	91.74	91.74
Other Equity	1,159.88	1,278.19	1,510.63	1,735.47	3,578.23	3,922.25
<b>Total Shareholders Equity</b>	<b>1,243.06</b>	<b>1,361.38</b>	<b>1,593.82</b>	<b>1,818.66</b>	<b>3,669.96</b>	<b>4,013.98</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>2,848.18</b>	<b>3,115.72</b>	<b>3,814.70</b>	<b>4,670.43</b>	<b>6,772.00</b>	<b>6,961.15</b>

## Cash Flow (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Activities</b>						
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
<b>Cash Flow from Operating Activities</b>	<b>133.19</b>	<b>771.80</b>	<b>749.94</b>	<b>284.50</b>	<b>614.17</b>	<b>946.78</b>
Taxes Paid (net of Refunds)	-80.01	-107.21	-89.94	-59.91	-64.09	-59.84
<b>Net CFO</b>	<b>53.18</b>	<b>664.59</b>	<b>660.00</b>	<b>224.60</b>	<b>550.08</b>	<b>886.94</b>
<b>Investing Activities</b>						
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
<b>Cash Flow from Investing Activities</b>	<b>-256.03</b>	<b>-625.29</b>	<b>-638.41</b>	<b>-819.07</b>	<b>-1,291.45</b>	<b>-1,008.63</b>
<b>Financing Activities</b>						
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
<b>Cash Flow from Financing Activities</b>	<b>200.63</b>	<b>-37.66</b>	<b>42.90</b>	<b>533.87</b>	<b>1,082.86</b>	<b>-51.27</b>

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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%

Research Analyst Registration No.	Contact	Website	Email Id
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