

CMP: INR 452

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)	20.76
52w H/L (INR)	484/174
Avg Daily Volume (in 000')	150

Shareholding Pattern %

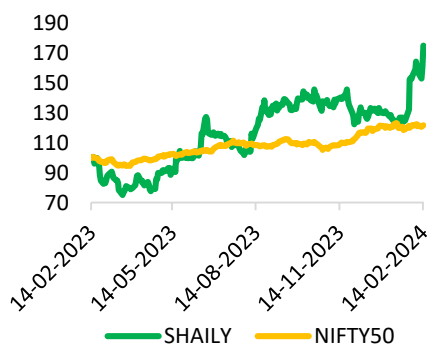
(As on December, 2023)

Promoters	43.81
Public & Others	56.19

Stock Performance (%) 1m 6m 12m

SHAILY	40	42	73
NIFTY	-2	6	21

SHAILY Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Miraj Shah

miraj.shah@arihantcapital.com
022-67114865

Stellar performance with exceptional margin growth

Operating Metrics (Consol)

- **Revenues** came in at INR 1.58 Bn (+0.55% QoQ) (+16.3% YoY)
- **EBITDA** came in at INR 318.8 Mn (+35.17% QoQ) (+63.61% YoY)
- **EBITDA Margins** came in at 20.12% (Vs 14.97% QoQ) (Vs 14.3% YoY)
- **Adj. PAT** came in at INR 145.24 Mn (+34.17% QoQ) (+156.32% YoY)
- **PAT Margins** came in at 9.11% (Vs 6.74% QoQ) (Vs 4.15% YoY)

Key Figures:

- Total volumes processed at 5,223 tonnes (-7.9% QoQ) (+26.7% YoY)
- Q2FY24 utilisation at 37.6% (Vs 39.9% QoQ) (Vs 38.8% YoY)
- Share of exports at 74.2% in 9MFY24
- EBITDA per tonne at INR 61,038 (+46.8% QoQ) (+29.09% YoY)

Other KTAs:

- 4 contracts signed for development and supply of pen injectors
- Contract awarded for manufacturing of 2 products in carbon steel business
- Business awarded for supply of caps (personal care segment)
- For 9MFY24, ROE stood at 8.2%, ROCE stood at 12.9%, OCF to EBITDA stood at 46.9%

Outlook:

The benefit of platform access fees coupled with orders in pharma side will help sustain margins from here for next few years. Pharma revenues aren't recognised immediately but gets recognised over 9-12 month period. Company sees EBITDA margins and ROCEs improving over the next two years on back of pharma contribution and increase in utilisation of facilities. New businesses will get commercialized next year Home furnishings, appliances, auto components, FMCG and healthcare which will aid topline. Pharma to be 25% of business in 3 years and 35-50% of overall business in 6-7 years. FY23 had 10 Mn pen sales; FY24 will be able to do 20-25% growth in volumes. FY25 will have 25% value growth and 15-20% in volumes. **We continue to remain positive on Shaily. At CMP, company trades 20.7x TTM EV/EBITDA and 41.9x 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	Q3FY21	Q3FY22	Q3FY23	Q2FY24	Q3FY24
Utilisation %	70.0%	61.3%	38.0%	39.9%	37.6%

	Volume of polymers processed (MT)				
Quarter	Q3FY21	Q3FY22	Q3FY23	Q2FY24	Q3FY24
Volume (Mt)	4,444	5,321	4,121	5,673	5,223

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.	Q3FY24	Q2FY24	YoY Growth	Q3FY23	QoQ Growth
Revenue	1,584.38	1,575.69	0.55%	1,362.63	16.27%
RM	888.48	977.79	-9.13%	868.88	2.26%
Employee cost	146.85	130.83	12.25%	118.18	24.27%
Power & Fuel	64.56	75.03	-13.95%	59.43	8.64%
Other Exp	165.69	156.18	6.09%	121.29	36.61%
EBITDA	318.80	235.86	35.17%	194.86	63.61%
Other income	10.80	29.71	-63.65%	2.30	369.77%
Depreciation	94.12	81.07	16.10%	79.38	18.58%
Finance	49.95	43.08	15.95%	48.00	4.08%
PBT	185.53	141.42	31.19%	69.79	165.85%
Tax	40.29	33.17	21.45%	13.12	207.01%
PAT	145.24	108.25	34.17%	56.66	156.32%
EPS	3.17	2.36	34.17%	1.24	156.32%

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 for Pharma completed construction
Others		

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

Shaily Engineering Plastics Q3FY24 Conference Call Highlights**Key Highlights:**

- Own IP sales will increase significantly over next 24-36 months, will overtake the sales of contract manufacturing
- New orders awarded were: 4 contracts signed for development and supply of pen injectors. Contract awarded for manufacturing of 2 products in carbon steel business. Business awarded for supply of caps (personal care segment)
- Q3 had higher revenues from pharma segment along with platform access fees (UK Business), which flowed directly into EBITDA. Some of the pharma income was backended, which gets recorded now
- The platform fees is wont be similar every quarter but will be constant annually. Management has guided that the figure will stay similar in Q4
- As pharma contribution increases, domestic contribution will increase (nothing substantial)
- 90 days current WC in pharma business
- FY23 had 10 Mn pen sales, FY24 will be able to do 20-25% growth in volumes. FY25 will have 25% value growth and 15-20% in volumes

Semaglutide:

- Company is the only spring driven solution that matches the innovators device. The supplies for rest of world markets will start by FY26 and for USA will start by 2030
- 70% of the semaglutide generic share will be with Shaily based on the number of contracts signed and in discussions.
- H1 had good growth in contract manufacturing, H2 will have better growth in pens
- Current semaglutide market is 150-200 mn pens a year. Number is expected to grow till 2030. 2-5 Bn doses a year will give result in 0.5 Bn pens a year (rough estimate for future)

Trizepatide:

- Last stage of development of auto injector for trizepatide (three step auto injector). Meant to be used with Mounjaro and Zepbound (generic equivalent). Lilly reported very healthy numbers on Trizepatide (and will continue to grow going ahead).
- Company is in final stages of development for Trizepatide. Company created healthy pipeline for Teriparatide and GLP1. Now the company is in process of onboarding customers to procure volumes for future
- Company is currently trying to secure as many as generics as they can to create pipeline for trizepatide.
- NCE-1 filing deadline of May 2026, supplies for auto injectors will start by Dec 2024. Pen supplies will continue till CY25 & CY26. Official market launch will happen in 2035-2036. Company will still supply smaller volumes till then.
- Company doesn't work with Novo & Lilly, only Sanofi and that too contract manufacturing.

Toys:

- Margins similar to home furnishings and consumer business. Business is not sticky (customers switching suppliers based on pricing differential) hence company not actively pursuing.
- Toys capacity is fungible for any other business except healthcare

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

New pharma facility:

- Operational end of Q2FY24, addition of machines happened in Q3. Asset turn of 2.25-2.5x at full capacity.
- FY26 will have high level of utilisation (will have market launches for Semaglutide, Liraglutide and scale up of some insulin businesses). Likely to be at full utilisation
- Company has invested INR 1.25 Bn in pharma side in the last 18-24 months, ramp up in revenues will happen in 2 years.

Other KTAs:

- Company received strong response from Pharmapack
- Middle east market can contribute total 30% to Shaily's pen sales but as US opens up, the % share from ME will come down (the absolute numbers may remain same).
- Commercial orders: 1st completed, 2nd being executed, will be updated in Q4
- Company has put a temporary hold on activity of hiring the CEO. Currently hiring senior leadership under CEO position who will handle different segments

Outlook: The benefit of platform access fees coupled with orders in pharma side will help sustain margins from here for next few years. Pharma revenues aren't recognised immediately but gets recognised over 9-12 month period. Company sees EBITDA margins and ROCEs improving over the next two years on back of pharma contribution and increase in utilisation of facilities. New businesses will get commercialized next year Home furnishings, appliances, auto components, FMCG and healthcare which will aid topline. Pharma to be 25% of business in 3 years and 35-50% of overall business in 6-7 years. FY23 had 10 Mn pen sales; FY24 will be able to do 20-25% growth in volumes. FY25 will have 25% value growth and 15-20% in volumes. **We continue to remain positive on Shaily. At CMP, company trades 20.7x TTM EV/EBITDA and 41.9x TTM EPS**

Income Statement (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23
Revenue from Operations	3,197.45	3,383.4	3,360.42	3,605.96	5,677.07	6070.658
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)
Gross Profit	1,209.7	1,286.88	1,381.37	1,453.38	2,102.12	2,205.83
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)
EBITDA	546.62	526.19	580.99	595.57	811.89	918.91
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)
PBT	356.55	299.55	306.98	298.84	465.34	452.07
Taxes and Other Expenses	(103.36)	(106.74)	(71.08)	(78.63)	(112.68)	(100.58)
PAT	253.19	192.81	235.9	220.21	352.66	351.5
Basic EPS - Continuing Operations	28.71	23.18	28.36	26.47	38.44	38.32

Exhibit 1: Utilization Levels Quarterly (%)

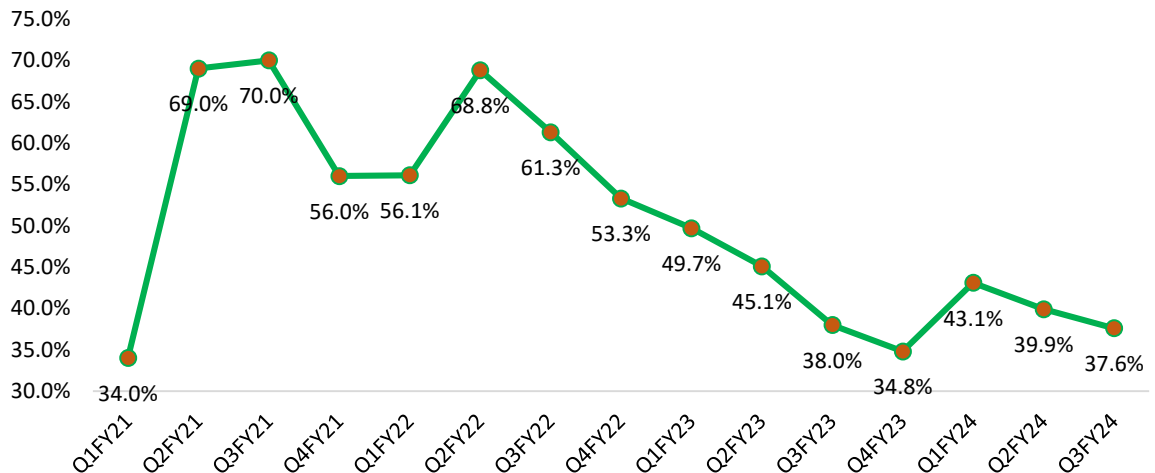
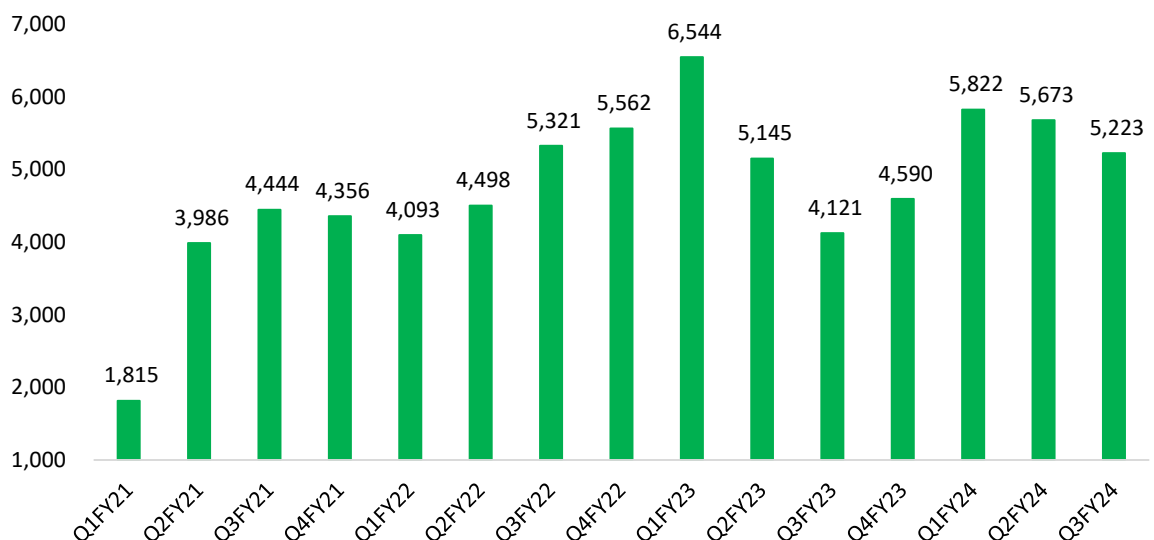


Exhibit 2: Volume of Polymers processed (Tonnes)



Balance Sheet (Consolidated)

INR Mn Particulars (Consol)	FY18	FY19	FY20	FY21	FY22	FY23
Current Assets						
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
Total Current Assets	1,585.55	1,362.82	1,532.09	1,768.33	3,002.26	2,377.14
Noncurrent Assets						
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
Total Assets	2,848.18	3,115.72	3,814.70	4,670.43	6,772.00	6,926.85
Current Liabilities						
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
Total Current Liabilities	1,335.42	1,182.29	1,393.13	1,424.96	1,896.20	2,116.06
Noncurrent Liabilities						
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
Non Current Liabilities Total	269.69	572.06	827.76	1,426.82	1,205.84	831.11
Shareholders' Equity						
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
Total Shareholders Equity	1,243.06	1,361.38	1,593.82	1,818.66	3,669.96	4,013.98
Total Liabilities & Shareholders Equity	2,848.18	3,115.72	3,814.70	4,670.43	6,772.00	6,961.15

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

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

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**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.cominstresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880