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SEPL/SE/Feb/23-24
February 21, 2024

The General Manager,
Corporate Relations/Listing Department
BSE Limited
Floor 25, P.J. Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 501423

The Manager,
Listing Compliances Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra – Kurla Complex, Bandra (E),
Mumbai – 400 051
Scrip Code: SHAILY

Sub : Q3FY24 Earnings Call Transcript

Ref : Regulation 30 of the SEBI Listing Regulations, 2015

Dear Sir,

We refer to our previous letter dated 14th February 2024, wherein the Company updated the audio link of Earnings call held on 14th February 2024 to discuss the operational & financial performance of the Company for the quarter and Nine months ended on 31st December 2023.

In context therein, kindly find attached herewith transcript of the referred Earnings call.

A copy of the same is also available on the Company's website at www.shaily.com at https://www.shaily.com/investors/compliances-policies/earnings-call

Kindly take the same on record.

Thanking You

Yours truly,
For Shaily Engineering Plastics Limited

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Date: 2024.02.21 12:38:09 +05'30'

Dimple Mehta
Company Secretary &
Compliance Officer

M. No. A 31582

“Shaily Engineering Plastics Limited Q3 FY-24 Earnings Conference Call”

February 14, 2024

MANAGEMENT: **MR. AMIT SANGHVI – MANAGING DIRECTOR, SHAILY ENGINEERING PLASTICS LIMITED.**
MR. SANJAY SHAH – CHIEF STRATEGY OFFICER & CHIEF FINANCIAL OFFICER, SHAILY ENGINEERING PLASTICS LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to Shaily Engineering Plastics Limited Q3 and FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Sanghvi. Thank you and over to you, sir.

Amit Sanghvi: Thank you very much. Good evening and a very warm welcome to all the participants to the post results earnings call of Shaily Engineering Plastics.

I have with me Mr. Sanjay Shah – our Chief Strategy Officer, and CFO and SGA, our Investor Relations Advisors. I hope you've had a look at our investor presentation that is uploaded on our website and the stock exchange.

Let me start with giving you some highlights on the "Operational Performance":

Despite a challenging geopolitical situation across the globe, we have delivered a robust top line growth of 15% to Rs.158 crores on a consolidated basis in this quarter and have improved both our gross margins and EBITDA margins which stand at 43.9% and 20.8%, respectively. Our focus over the last several quarters has been to grow our pharma pipeline in fairly innovation in UK as a developing engine and India as the manufacturing hub.

Our IP lead platform portfolio now includes fixed-dose pen injector for Teriparatide**,** multi-dose pen injectors for insulin, pin-driven pen injector for GLP-1 like Semaglutide and liraglutide, disposable and reusable pen injectors, a two-step auto injector for Wegovy which is again Semaglutide And the three step auto injector currently in the final stages of development for Tirzepatide In addition to this, we also have a device known as Shaily Safe Lab, which is meant for delivery of lanreotide.

We have been very successful in creating a healthy pipeline for Teriparatide and GLP-1, where Shaily has a very unique advantage on its device versus its competitors. The objective now is to onboard as many customers as possible and secure some commitments on volumes for the future. We clearly see the revenue contributions from devices where we own the IP to significantly increase over the next 24 to 36 months and we will overtake contract manufacturing revenue over the same period. I'm happy to announce that in the healthcare division, we have signed four additional contracts for development and supply of pen injectors with large pharma companies.

We have ventured into carbon steel for the home furnishings major, and also added a dedicated facility to service this thing. During the quarter gone by, we have received additional business by the Home Furnishings major for two products in carbon steel. We have received business confirmations for additional volumes of our current products and this will improve utilization in the current as well as the next financial year. We have also received order for supply of caps by an FMCG customer in our personal care division. Our focus continues to develop new businesses and relationships where engineering, precision and quality are the need and not only the price. That is all from my side. I shall now handle over the call to Sanjay, to give you the operating and financial highlights. Thank you very much.

Sanjay Shah: Thank you Amit. Good evening everyone. I should share with you the highlights of our operational and financial performance of Q3 and nine months FY24, following which we will be happy to respond to your queries. During the quarter we processed 5223 tonnes of polymers as against 4121 tonnes in Q3 FY23 for the nine months ended we processed 16,718 tonnes of polymers as against 16,026 tonnes in nine months FY23. Machine utilization rate was at 38% in Q3 FY24 and 40% in nine months FY24. Exports during nine months FY24 stood at 74.2% of total revenue.

I shall now brief on the standalone results highlights for Q3 FY24. Revenue stood at 144.7 crores during Q3 FY24 as compared to 134.2 crores during Q3 FY23 a growth of 8%. EBITDA stood at 22.2 crores during Q3 FY24 as compared to 18.2 crores during Q3 FY23. A growth of 22%. EBITDA margins stood at 15.4% for Q3 FY24 for an increase of 180 basis points over Q3 last year. PAT stood at 6.2 crores during Q3 FY24 as compared to 4.5 crores during Q3 FY23 a growth of 39% year-on-year. Cash PAT for Q3 FY24 stood at 15.3 crores as compared to 12.4 crores during Q3 FY23 a growth of 23%.

Now coming to 9M FY24 highlights. Revenue stood at 453.2 crores in nine-month FY24 as compared to 466.2 crores during nine-month FY23. EBITDA stood at 71.5 crores in 9M FY24 as compared to 65 crores during 9M FY23 a growth of 10%. EBITDA margins stood at 15.8 % an increase of 180 basis points over 9M last year. PAT stood at 24.7 crores in nine months FY24 as compared to 21.3 crores during 9M FY23. A growth of 16%, PAT margins stood at 5.5% an increase of 90 basis points over 9M last year. Cash PAT for 9M FY24 was reported at Rs.50 crores as compared to Rs.44.6 crores during FY23.

Our ROC and ROE stood at 12.9% and 8.2% respectively as on 31st December 2023. The growth in business has been achieved with disciplined use of capital. Our debt to equity stands at 0.5x and our long-term debt to equity stands at 0.19x. I shall now brief you on the consolidated results highlight. Revenue stood at 158.4 crores during Q3 FY24 as compared to 136.3 crores during Q3 FY 23, a growth of 16% year-on-year. EBITDA stood at 33 crores during Q3 FY24as compared to 19.7 crores during Q3 FY23, a growth of 67% year-on-year. EBITDA margins stood at 20.8% for Q3 FY24 an increase of 630 basis points over Q3 last year.

PAT stood at 14.5 crores during Q3 FY24 as compared to 5.7 crores during Q3 FY23 a growth of 156% year-on-year. PAT margins stood at 9.2%. Cash PAT for Q3 FY24 was reported at 23.9 crores as compared to 13.6 crores during Q3 FY23 a growth of 76% year-on-year.

Now coming to 9M FY24 consolidated highlights. Revenue remained flat at 473.3 crores in 9M FY24 as compared to 472.6 crores during 9M FY23. EBITDA stood at 87.2 crores in 9M FY24 as compared to Rs.69.9 crores during 9M FY23, a growth of 25%. EBITDA margins stood at 18.4% an increase of 360 basis points over nine months last year. PAT stood at 38 crores in nine months FY24 as compared to Rs.25.2 crores during nine months FY23 a growth of 50%. PAT margin stood at 8%. Cash PAT for 9M FY24 was reported 63.6 crores as compared to 48.7 crores during 9M FY23, a growth of 31% year-on-year. That is all from our side. Now we can open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: First question is, how should we understand the margin profile, is it the benefit of raw material, which actually gets passed on, on detail basis which gets reflected on gross margin or is it more of the mix more shifting towards pharma, if you could broadly give some color on the mix would be really useful, that's with the first question.

Sanjay Shah: So, Ritesh when you look at the margin profile it's a combination of higher revenue from pharma including a platform access fees which we charge to customers, and that is what is contributing to the improvement in margin. If you remember, we have been saying on our investor call earlier that, some of our pharma income will be back ended and we expect pharma incomes to come in Q3, Q4 in terms of the development which we have been doing, that is being realized right now.

Ritesh Shah: Sir, how should one comprehend platform access fees, and will you be able to quantify that amount for the quarter?

Sanjay Shah: You would be able to see that if you look at the standalone results and the consolidated results, the difference would basically be the platform access fee which is accruing in the UK. So that's the platform access fee. The platform access fee is basically what we charge to a customer typically for accessing the platform, helping him file his dossier, doing all the validation, testing protocols and everything for the device.

Ritesh Shah: Would it be possible for you to guide for annualized run rate over here, given it has been bulky, that indicated and it probably played out in Q3 and probably also might come in Q4. How to project the number and how to understand this?

Sanjay Shah: Ritesh giving up projection for a number would be difficult, but this number would basically be, you won't see similar numbers every quarter, some quarters you will have higher numbers, some quarters you will have lower numbers. But as we speak, we are signing on more contracts with customers. So we will have, when you look at it more from a yearly basis you will have a constant number which we think should be constant for the next couple of years.

Ritesh Shah: Sure, that's helpful. My second question is for Amit, couple of quarters back you had indicated the broader opportunity being at around $50 billion. And you had given a pretty nice split, basically between Liraglutide and Semaglutide, is it possible for you to actually dissect the number of $50 billion you had indicated the larger opportunity is more on the Semaglutide. You also had indicated the pen market size. So any specific that we have for the sub segments over here and any particular updates on auto injectors as well.

Amit Sanghvi: So, for Semaglutide Shaily is effectively the only spring driven solution that matches that the device of the innovator, most generic, that don't want to get into human factors, with a potential risk of still not being able to have a qualified device have, will tend to opt for a Shaily device. And that's where we are seeing significant amount of traction. So the pipeline, the number of customers that we have already signed on and the number of customers we are in discussions with, effectively tells me that somewhere around 70% of the Semaglutide generic share will likely be with Shaily. Again, these supplies won't start until 26 or, for ROW markets and then 29 and 30 onwards for the rest of the world, for the US markets. So you have a fairly long gestation period but a very, very, very healthy business and a large opportunity. On the auto injector side. We are currently in the last stage of development of Tirzepatide auto injectors, which is a three-step auto injector. It's used for at the moment it's meant to be used with Tirzepatide which is Mounjaro or Zepam, which is the melli drug, but the generic equivalent of these drugs. So you must have, may or may not have but many have of course reported very, very healthy revenue numbers on Tirzepatide. And those will continue to grow in the future. So we are trying to secure as many generics, including very large generics, need European and American generics, to have a healthy, to create a healthy pipeline for Tirzepatide.

Ritesh Shah: And timelines on auto injectors?

Amit Sanghvi: You have NCE-1 filing deadline of May 2026 which means we will start supplies in the end of the current year, per calendar year. And supplies will continue into Calendar Year '25 and '26. So, the official market launch probably cannot happen until mid-2030s. So, let's say 2034-35 is probably when the market launch for Tirzepatide will happen. But we will still supply smaller volumes on year-on-year till that time. So, it's not that you just do a clinical batch and you end supplies, we will continue to supply.

Ritesh Shah: And just last question, would it be fair to assume that we would be working with the top three companies when it comes to pens, I'm referring to Sanofi, Novo, Lilly?

Amit Sanghvi: No, we don't work with Novo and Lilly. Sanofi is the only company from the top three that we work with.

Ritesh Shah: Okay. So what I was referring to is, including the pipeline that we are working on. It is still Sanofi and then the generic part of the market?

Amit Sanghvi: Yes, so everything we do for Sanofi is contract manufacturing. And our pipeline, and where we see growth is on our own devices which are meant to be used at the moment for generics.

Moderator: Thank you sir. We have our next question from the line of Pritesh Rao from Lucky Investments. Please go ahead.

Pritesh Rao: Sir, I have few questions. First in the standalone, on the manufacturing side, what would be the pharma performance for the nine month?

Sanjay Shah: Pritesh, you know we don't give individual revenue. So it will be difficult for us to talk about it, but to share the growth, to give you a sense of it. Our pharma revenue between Q2 to Q3, Q3 revenues of pharma will be higher than Q2.

Pritesh Rao: So, for nine months what would be the growth you may not quantify the revenue number but growth in pharma is possible to share?

Sanjay Shah: Pritesh we would refrain from sharing that right now.

Pritesh Rao: No, problem. My second question is when is the new pharma facility supposed to get operational and once the whole CAPEX gets operational the total company CAPEX what is the maximum revenue potential on the CAPEX?

Sanjay Shah: The CAPEX has already been operational we have already operationalize the plant end of Q2.

Pritesh Rao: Okay. It was a part of CWIP is the H1 belt?

Sanjay Shah: On 1st of October, so for 2nd of October then we capitalize the whole thing. And it's been put to you so the valuation of machines and everything happened in Q3. So that's what has been done. Revenue perspective, we basically look at somewhere between 2.25 to 2.5x off the fixed capital investment as revenue on a full capacity basis.

Pritesh Rao: Okay. My other question is based on the supply schedules or the orders now that you have for FY25 what kind of manufacturing growth we can look at, at least in nine months we have flat. So what kind of manufacturing growth we can look at based on whatever supply schedules or orders you have?

Sanjay Shah: You are talking about on an overall company level?

Pritesh Rao: Yes. Overall company level.

Sanjay Shah: So, at overall company level we would have growth next year, how would that growth come in as we have talked about new business is getting commercialized whether on the home furnishing front or on the references in terms of appliances, automotive, FMCG and healthcare. So these are businesses which are getting commercialized as we speak. Amit also talked about supplies for the pen injector which will happen during FY25 some of it will happen during FY25. So there will be in each of these segments you will see growth happening. Looking at the scenario where we are right now, we don't want to put in a percentage in terms of what sort of growth we are looking at. But we should see decent amount of growth coming next year.

Pritesh Rao: Okay. And my last question is on the pharma platform monetization part. So there is a number for nine months which is a revenue of 24 crore and EBITDA of 16. And you mentioned that, you would continue in quarter over as well. So is it possible to share what kind of revenue and EBITDA on the pharma monetization side you will have in FY24 at least?

Amit Sanghvi: Quarter 4 will be similar to Quarter 3 in terms of the shaily innovations UK, very similar, I don't want to put an exact number, whether we are going to have a higher number or a lower number but it will be very, very similar to that of Quarter 3.

Pritesh Rao: And it will sustain in FY25 as well as our total revenue and EBITDA for the full year?

Amit Sanghvi: Right now we see good pipeline for the next two years at a minimum. So two, three years I don't foresee why it will not be sustained, it should be sustained at a certain level.

Sanjay Shah: And Pritesh, what we also do is we don't, the whole revenue is not recognized at one shot, it get recognized over a nine to 12-to-15-month period. So even today, whatever we have recognized in Quarter 3 you will see some of that balance revenue or under that contract being recognized over a period of the next two, three, four quarters.

Moderator: Thank you sir. We have our next question from the line of Ravi Shah from Opal Securities. Please go ahead.

Ravi Shah: Sir, I have two questions. So first would be, we have seen a strong improvement in our margins, both on gross and EBITDA level, I missed the early part of the call, just wanted to know if, what kind of steady state EBITDA margin should we be looking at going forward?

Sanjay Shah: Ravi we typically don't give out a guidance on our margin profit, or written ratio. What we would say is that if you were to look at more from a yearly basis and not go by quarterly basis, we see EBITDA margins and ROC is improving as we speak, over the next two years.

Ravi Shah: Understood sir, sir this is going to be majorly because of the shift towards more higher realization medical devices right?

Sanjay Shah: Yes, a combination of that plus utilization levels improving across our facilities also.

Ravi Shah: Understood sir. Sir one more metric I would like to ask would be on the export target so, our current split is roughly 75:25. So are we planning to stick to the split or are we, what kind of split are we going at going forward if you can help on that?

Sanjay Shah: If healthcare business buildup you will see domestic revenue going up because some of our device things will be to domestic companies who in turn will be exporting it. But you will still see our business titled towards export in a big way. You could have a 5%, 10% variation, but I don't see any substantial change over the next couple of years.

Moderator: Thank you. We have our next question from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: First Question, Questions are on the pharma basis. So, if you can give an update on I believe we would have participated in pharma pack recently. So if you can talk about how was the response to our devices and?

Amit Sanghvi: We did participate at pharma pack. And a really, really packed schedule over two days. I'll be very honest; we did not get time to have lunch on either of those days. So, deception has been very good. Again, it was suppose, this update was meant to be for the next quarter earnings call given that pharma pack happened in January, end of January, but the response has been phenomenal has been very good.

Aman Vij: Sure, sir. My next question is, in the presentation we have talked about we have signed up four new contracts. So, as of date, what is your total number of contracts we have in this division?

Amit Sanghvi: Aman we plan to answer this question on the next earnings call. We are going to consolidate information on the number of contracts on each of our devices and molecules.

Aman Vij: Okay, no worries. Next question was on the Middle East market. So in our previous calls, we have talked about our targeting that, if you can talk about a little bit in terms of size, how big is that market and what kind of market share we think we can get over next few years?

Amit Sanghvi: If you look at it from the current scenario, where we are doing an x number of pens a year, the Middle East can have a contribution of 30% to our current the number of pens we do a year, but going forward, what will happen is that the Middle East market can only consume a certain amount of volume. So as other markets, especially the US market opens up for us, you will see that 30% contribution while the number might remain the same will come down in terms of percentage to probably 10% or 12% or 15%.

Aman Vij: Sure. Next question is you have talked in the last call about some we have received some commercial supplies. So can you give any update on the same, have we started this supplies or any other commercial orders we expect in this year?

Amit Sanghvi: We are executing another commercial order, a second commercial order at the moment. We will provide an update in quarter four. So we have executed one commercial order. And we are executing the second one.

Aman Vij: Sure. Final question, just if we look at holistically on the pharma side. So we now have the CAPEX ready. So in your estimates, how long do you think it will take for us to fully utilize this new pharma facility?

Amit Sanghvi: Fully utilize, I would say FY26 is when we will see a high level of, very high level of utilization, because that's also when you have key market launches for Semaglutide, Liraglutide and the scale up of some of our insulin businesses.

Aman Vij: Sure. I was saying sir so by FY27, do we expect to fully utilize the plant?

Amit Sanghvi: Yes.

Sanjay Shah: Yes, if we look at two years out from here when we think we should be close to full utilization level.

Aman Vij: Sure, that helps. Next coming on the non-pharma part of the business. You had indicated there some kind of slowdown. When we have received a lot of orders last two, three quarters most of them are supposed to get executed next year only. So do you expect this slowdown to continue for next one, two quarters, or do you think now this is the base and every quarter basically, we can see some growth in the non-pharma part of the business as well?

Sanjay Shah: So, if you look at number over last four quarters, or last six quarters you would have seen that this business has been steady. It's not growing at a very fast stage, but it's been steady. And probably this is the base at which we have done, we should be able to see growth, but at the same time there are challenges in terms of macro challenges today where you have the Red Sea problem in terms of getting ships or getting pay for shipping containers and everything and freight cost going up, so these are some challenges which are there. My sense is, if I want to look at next year you will basically see growth on both the back of the business, whether it's healthcare and the non-healthcare. I mentioned it when one of the participants asked me, we are looking for a growth on coming in from appliances, auto motive, home furnishing, as well as FMCG on the non-healthcare front, and obviously on the healthcare front for FY25.

Moderator: Thank you. We have our next question from the line of Karan Mehra from Mehta Investments. Please go ahead.

Karan Mehra: Sir wanted to understand, like if you can throw some light on the toy business, I believe we are not actively pursuing the same. So just wanted to understand like, is it not margin lucrative or what would be the major reason for it?

Amit Sanghvi: We are not pursuing it. And it's not so much about margin lucrative, margins would be similar to the home furnishings business, or any consumer business that we are into. There isn't a stickiness. We don't find that there is a stickiness from the customer side, to stick with a particular supplier, you get a percent discount, you go elsewhere. And that's not the kind of businesses we want. We don't find it to be sustainable for our growth.

Karan Mehra: Understood. And with regards to like, we have a plant in Halol exclusively for this carbon steel business. If you can throw some light on the utilization levels and how have you improved since the commencement of this business?

Sanjay Shah: I think Amit talked about in his speech that we have added two new products there. So that will get commercialized as we speak for the next two quarters. We are under development of that. We have been able to increase volumes on our existing products. So, if I were to compare FY22 and FY 24, revenue and utilization levels have been higher than FY23 on carbon steel for FY24. We expect that you will see better utilization levels and revenue in FY25 and FY26, as we speak.

Moderator: Thank you. We have our next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Last to last quarter you had indicated that we were looking for around 25% volume metric growth when it comes to the number of pens, and based on the notes that I have, we did around 10 million pens last year. So for this year, are we on track to achieve that number of 20%, 25%?

Amit Sanghvi: Yes.

Ritesh Shah: Okay. And how should we look at the same number, say for the next fiscal?

Amit Sanghvi: Next financial year, two things are going to happen. One is that we are going to have sales of a very high value product, the numbers might not go up, the revenue number will certainly go up by 25%. The volume might not go up by 25%, because the product is a very high value product. But you would look at, I would say even at a bare minimum to look at probably a 15% to 20% growth on quantities in the upcoming financial year.

Ritesh Shah: Okay. And for this fiscal when we say 25% is it more on the second half or is it more physically first half, I would presume it is more second half. Would it be like 70% in second half?

Amit Sanghvi: We had good growth on our contract manufacturing numbers in the first half. And we have very good growth on our own IP devices at the second half.

Ritesh Shah: Okay. But if I had to look at it from a revenue standpoint, any broad indication basically?

Amit Sanghvi: Second half has will be good for us as in Q3 has been good. Q4 will be better.

Ritesh Shah: Okay, but fair to assume like we would have clocked 25% growth for FY24 or more than this?

Amit Sanghvi: On a quarter-to-quarter basis or on a Y-o-Y?

Sanjay Shah: Year-on-year basis it will be higher than that.

Amit Sanghvi: It'll be higher on year-on-year basis.

Ritesh Shah: Right. Closer to like 40%, 50%, or basically like 25% to 30%?

Sanjay Shah: Ritesh, you are getting into too much of numbers there.

Ritesh Shah: Fair enough, just trying to get the hang of the business. And any update on the home furnishing side and specifically on the carbon steel, any new orders, uptake in revenues?

Sanjay Shah: Amit, mentioned in the speech that we have orders for two new products for the carbon steel part of it. In quarter one and quarter two, we have talked about additional business which we have taken on the plastic side from this customer. So we have been able to get a decent new business confirmation from them. If I would look at quarter one, quarter two, Quarter 3.

Ritesh Shah: Sure. And lastly, on the management, hiring we were looking for hiring a CEO. Is it still something that we are working on or is it something on the backburner?

Amit Sanghvi: No, we put a temporary hold on it, it takes up a lot of my personal bandwidth. And after having to sort of unsuccessful events, we put it on hold for now. What we are doing instead is we are hiring senior leadership across the board below the CEO level.

Ritesh Shah: So is it like we have divisional heads, a guy looked at home furnishing, a guy looks at carbon steel, is that the way the management tiering has been done?

Amit Sanghvi: That's kind of where we are heading. We don't have it across the board today. But we have someone that leads the business as a as a home furnishings business, we have put in place someone that is going to lead pharma as a business unit. But the individual will need a couple of years of grooming. So, these things have been put in place. And I'm also personally spending time on developing a new business which, unfortunately we cannot say anything about. Not a new, I won't say a customer, but it's a segment of a business that we are trying to develop, again requires very high engineering and precision capabilities.

Ritesh Shah: Sure, that's helpful. And just last question Amit, we are quite hopeful on the pharma part of the business actually going out all that for the next two, three years. What are the key risks or variables that you actually worry upon?

Amit Sanghvi: The biggest worry is that the customers you work for don't take it to market or don't end up being successful in the market. That's really the big worry, the risk that is always going to remain is the risk of having any potential, quality management system issues. But we have developed that over the last several years and we are very focused on it. We don't take shortcuts and don't intend to in the future. So, whichever way we move forward whether customers successful or not, at least the facility will always be in compliance.

Ritesh Shah: Perfect that useful. And just one question for Sanjay, sir how much is the investment which has gone on the pharma side when we talk about incremental development be it injectors or pens, how do you basically look at the IRR for that incremental CAPEX and if you could help the numbers say for last nine months or say last two years, that would be quite useful.

Sanjay Shah: So, Ritesh over last one and a half years or 21 months we would have invested about.

Ritesh Shah: I just wanted to get the pharma asset depreciation, is it a part of the Quarter 3 number?

Sanjay Shah: Yes. It's part of the Quarter 3 number.

Moderator: Thank you. We have a next question from the line of Ganesh, from GK Advisors. Please go ahead.

Ganesh: Okay. So, I have been invested in our company since 2018, nearly four years now. So we have been facing intermittent issues every other year or so. Solved almost everything, so we anticipate anything going wrong in our new businesses, in the next year or so, of course shipping industry is a problem statement now, anything other than that?

Amit Sanghvi: I didn't understand the question, I apologize. Can you repeat again?

Ganesh: Yes, I'll repeat it. So, I've been invested in Shaily since 2018, nearly six years now. So, every other year we have been taking some problems, and we have resolved that. So in this year, apart from the problems facing the shipping, do you anticipate anything going wrong, I know from a pharma standpoint for the three years, but anything else from an operational side from the manufacturing side do you anticipate anything going wrong, or you feel you are confident that everything is fine?

Amit Sanghvi: Operationally, we are quite strong at the moment. And we have built that strength over several years, probably since you would have invested. Since 2018, that capability has been spruced up quite a bit. From a business perspective, look we are B2B business. So our future relies solely on what our customer is able to sell. And that risk is not likely to go away. So, you see the current scenario last two years in fact, that our largest customer hasn't grown their own business, or had a de-growth, which we haven't had any significant growth. So this risk will remain, and I'm not sure there is much that we can do about it. Apart from trying to grow other businesses, which we are trying and putting our efforts into. But operationally we are quite strong. We have the right resources at every level, I know that we were to hire a CEO, but do we honest with or without operationally we are still strong.

Ganesh: Got it. So, over the next three years or so, how do you see pharma growing with respect to the whole company, either qualitative or quantitative?

Amit Sanghvi: We receive pharma being about 25% of revenue over the next three years. And over the next maybe six or seven years, we are putting in our efforts. So that pharma essentially becomes at least somewhere between 35% and 50% of our overall business.

Ganesh: Got it. So the current pharma capacity that we have, I know there is a big, big differential between value added business, our own IPs and all that. But can you put like a bookended numbers, what is the kind of an average revenue potential for our current capacity, the reason I'm asking is, will we need more capacity let's say two, three years down the line?

Amit Sanghvi: Difficult to answer Ganesh. Like Sanjay said, 2.25 to 2.5 as we look at an overall basis. Pharma is CAPEX heavy, it's not light but as we increase the revenue from our own devices. Eventually you will get to that number of 2.5.

Ganesh: Got it. So, the toy business capacity, I know in spite of our efforts it has been a sore point for us. Is that capacity fungible with respect to other businesses that we have, and how fungible it is?

Sanjay Shah: It is fungible. We are already working with some of the customers to use their facility.

Ganesh: Got it. And any major capacity that we foresee in the next year or so, next 12, 15 months?

Amit Sanghvi: Depends if we come across an opportunity that is unique, to answer maybe a different question where our efforts on utilizing existing capacity which means going after business is where the existing capacities can be utilized with the existing customers, if we onboard a new customer or a new business segments, then we will do that evaluation at that point.

Moderator: Thank you. We have our next question from line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sanjay, I was waiting for the answer on the quantum of investments which you have done on the pharma side over last 18 to 24 months and how do you see the payback over here?

Sanjay Shah: So, Ritesh what we have invested over the last 18 to 21 months was basically 125 crore in the pharma part of the business. You will see revenues going up and being paid for in the next couple of years, when you see the ramp up of revenue happening. You want to put a number here in terms of an IRR or something, because that's difficult for me, but you should be able to calculate that.

Ritesh Shah: Let's put it the other way around. If you are deploying capital for a particular SKU or a particular pen, what is the probability for us to actually get it right, is it like upwards of 50% when we do that, I am just trying to understand the incremental optionality?

Sanjay Shah: A lot of these cases, when we put up a CAPEX, we could have already signed the customer on board. So, it would basically be coterminous with signing the agreement with the customer in majority of the cases. So while we would have developed the IP or acquired the IP, a lot of development would be done once we have a contract with at least one customer in majority of the cases.

Ritesh Shah: So technically, when we do that, will there be some volume guarantee something of that sort which takes care of the upfront investment that we are doing for that particular customer?

Sanjay Shah: Ritesh again, different customers will have different types of contracts with some we might have a volume guarantee, a lot of customers we will not have a volume guarantee. But the cost customer also pays us a platform access fee, which basically covers for part of the development cost, which we do.

Moderator: Thank you. We have our next question from the line of Devesh Kayal from Monarch KIF. Please go ahead.

Devesh Kayal: Sir, what will be the working capital in our pharma payments, working capital cycle?

Sanjay Shah: Working capital cycle on an average for the whole company is about 90 days. Some businesses might be at lower, some businesses might be at higher probably you probably look at plus or minus 15 days most of our businesses.

Devesh Kayal: Okay. And sir in March for the carbon steel business, the margins we have been like in losses in earlier years. So what will be the margin, we try to assume at single digit now, the carbon steel business for nine months?

Sanjay Shah: Sir, we are improving on the top line and similarly we making improvements on the bottom line between FY23 and FY24 and we hope to continue that.

Moderator: Thank you. We have our next question from the line of Prachi Shah from ABC Ventures. Please go ahead.

Prachi Shah: So, I have two questions. First is, can you please provide an overall growth guidance for FY25 and 26 and which are the most two segments which we intend to focus on?

Sanjay Shah: Prachi we do not give growth guidance. So, it will not be right for us to talk about it. Segments where we expect growth to come in we have talked about one is health care. And we want to talk about appliances, automotive, furnishings and FMCG is the segments where we will see growth coming for the next two years.

Prachi Shah: Okay. So, my second question is, how much CAPEX has been done so far in FY24, and for which segment and what are CAPEX plans for future?

Sanjay Shah: CAPEX which we have done in FY24 is mainly on the pharma front and the total CAPEX which we would have done in the current year will be about 100 crores or we will end up the year with close to 100 crores of CAPEX which we will do in the current year. Amit also mentioned that what we are looking at is, improving our utilization levels for our existing facilities. So, our focus is going to be on that. Not be looking at making any large investments in FY25 and FY26, unless there is some specific business where we will need to make that but, that's something which we are not aware of as of now.

Moderator: Thank you. We have our next question from line of Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: My question is that the CAPEX that we did for toys, can that be used in the healthcare business or can that be used only in the furniture business that we have?

Amit Sanghvi: Manish, it cannot be used in the healthcare business. It can be used in any of our other businesses, including FMCG, home furnishings, automotive, appliances, but it cannot be used in healthcare.

Manish Gupta: Okay. And by when do you think that, that capacity that you had put up for toys can be deployed in the in these segments that you talked about?

Sanjay Shah: Manish, part of that capacity we recently just started utilizing it for some of our new business on appliances and everything. We are working on other businesses, as we speak, we should have better clarity in the next couple of quarters as we speak where we would be able to give much better clarity.

Manish Gupta: Okay, and my third question, and the last question I had was that the big opportunity that Amit mentioned was Semaglutide. And some patents of that are expiring in 26. And some patents are expiring in 29. And I think you have also mentioned that a very large portion of the generic guys going after this opportunity are using your delivery system. So just wanted to get a sense that if let's say you are doing a 100 units of trial batches today, for the generic guys who are filing for Semaglutide trial batches, as we get to say 2030 assuming you have just 25% of the overall market for Semaglutide then, what is this number can ramp up to in just a abroad estimate if you have that?

Amit Sanghvi: The current Semaglutide market is somewhere around 150 to 200 million pens a year, with the generics entry and even without it from between now and 2030 every analyst, including pharma companies themselves are projecting growth on that business. So if you look at somewhere between 2 billion to 5 billion doses a year, you are looking at an opportunity size of half a billion pens a year. And if, we are fortunate enough to get 25% of that it's a very substantial number. But, I don't know Manish, it will get 25% of that. So please, that was just the market size projections.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Amit Sanghvi: Thank you everyone for joining the call. We hope that we have been able to answer your questions adequately. For any further information, I request you to get in touch with SGA our investor relations advisors. Thank you and have a great day.

Moderator: On behalf of Shaily Engineering Plastics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.