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Shaily Engineering

02 April 2024

Leading exporter of high precision products for marquee brands

INITIATING COVERAGE

Sector: Plastic Products	**Rating: BUY**
CMP: Rs 508	**Target Price: Rs 720**

Stock Info

Sensex/Nifty	74,015/22,462
Bloomberg	SHEP IN
Equity shares (mn)	45.9
52-wk High/Low	549/201
Face value	Rs 2
M-Cap	Rs 23.3bn/USD 284mn
3-m Avg turnover	USD 0.7mn

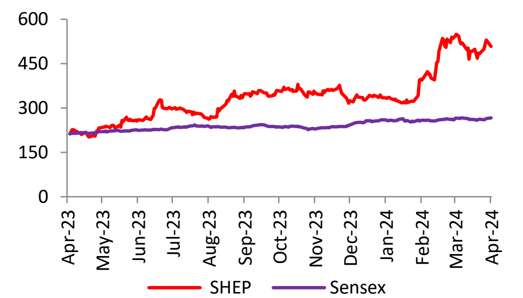
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	6,633	8,461	10,160
EBITDA	1,238	1,605	1,957
OPM (%)	18.7	19.0	19.3
PAT (adj.)	595	786	1,100
EPS (adj.) (Rs)	13.0	17.1	24.0
PE (x)	39.2	29.6	21.2
P/B (x)	5.1	4.3	3.6
EV/EBITDA (x)	20.7	15.6	12.3
RoE (%)	12.9	14.6	16.9
RoCE (%) post tax	14.5	17.2	20.6
Net-D/E (x)	0.5	0.3	0.1

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	43.8	43.8	43.8
–Pledged			
FII	7.0	7.0	7.1
DII	13.0	13.8	13.8
Others	36.2	35.4	35.2

Stock Performance (1-year)



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We initiate coverage on Shaily Engineering (SHEP IN) with a BUY rating and a target price of Rs 720 (42% upside potential), based on 30x FY26E P/E. SHEP is India's leading exporter of high-precision engineered plastic products and components, with ~4 decades of experience. Its wide customer base (long-standing relationship with a Swedish home furnishing major, Unilever, Gillette, P&G, Sanofi, GE, Garrett) is spread across the healthcare, consumer, personal care, appliances, automotive and lighting industries. On strong order book and guidance received from key customers, we expect SHEP to report robust 19%/29%/46% CAGR in revenue/ EBITDA/PAT over FY23-26E (FY18-23: 14%/12%/8%), likely aided by sharp recovery in the healthcare segment, additional revenues from new verticals (steel furniture, drug discovery IP-led platform for GLP-1) and uptick in EBITDA margin (19%+, given its focus on improving capacity utilisation, value-added products and increasing the healthcare revenue mix). With no major capex planned (~Rs 2bn in last 2 years; till it achieves 75% CU from ~40% in 9MFY24) and prudent working capital management (90-day cycle), we expect RoCE to double to 20%+ in FY26E (FY23: ~11%) to generate a cumulative FCF of ~Rs 1.8bn over FY25E-FY26E (would be used to pare debt by ~Rs 400mn annually). We estimate healthy OCF/EBITDA of ~60% and FCF/PAT of ~100% over the next 2-years.

Nearly 4-decade experience in manufacturing high precision products in niche segments for marquee global brands: Established in 1987, SHEP has diversified its business across various industries such as healthcare, consumer, personal care, appliances, automotive and lighting sectors catering to demand from global industry leaders (led by long-standing relationship with a Swedish home furnishing major, Unilever, Gillette, P&G, Sanofi, GE, Garrett to name a few). Its foray into Steel Furniture business helped to diversify concentration beyond plastics and also cemented relationship with its largest customer. Entry into IP-led insulin pens position SHEP among few global players specialising in such complex products.

Consumer (largest) and healthcare (fastest) the growing segments: As per CARE Ratings, the consumer segment (home furnishing, personal care, steel furniture and toys) is estimated to have recorded ~85% of total revenue in FY23. Healthcare (~8% of revenue mix) is expected to witness strong growth on the back of a robust order book of insulin pens. SHEP has collaborated with large multinationals in the design and manufacture of medical devices considered integral to the launch of select GLP-1 block buster drugs (*Semaglutide* current market of ~200mn pens pa is estimated to be 500mn pens by 2030). SHEP's ability to develop IP & own pen injector platforms is expected to enhance the brand of the company as a research-led solutions provider. It currently has 5 pen injector platforms for various molecules and are working towards developing an auto injector. A ~Rs 1.5bn capex done in the healthcare division in last 2 years provides ~3x revenue potential in the next 3-5 years.

Higher capacity utilisation, greater revenue mix of healthcare and VAP to drive margins, return ratios and FCFs: SHEP's focus on building capacities ahead of demand across market cycles has helped it in gaining customer's confidence of assured product supply. Large capex (~Rs 2bn in last 2 years) led to lower capacity utilisation and impacted margins of SHEP. With no major planned capex (till CU reach 75% from ~40% in 9MFY24), we expect RoCE to cross 20% in FY26 (FY23: ~11%) and generate ~Rs 1.8bn FCFs over FY25-FY26. Overall, we expect SHEP to report a strong 19%/29%/46% CAGR in revenue/EBITDA/PAT over FY23-26E (FY18-23: 14%/12%/8%).

Investors are advised to refer disclosures made at the end of the research report.

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Story in charts…

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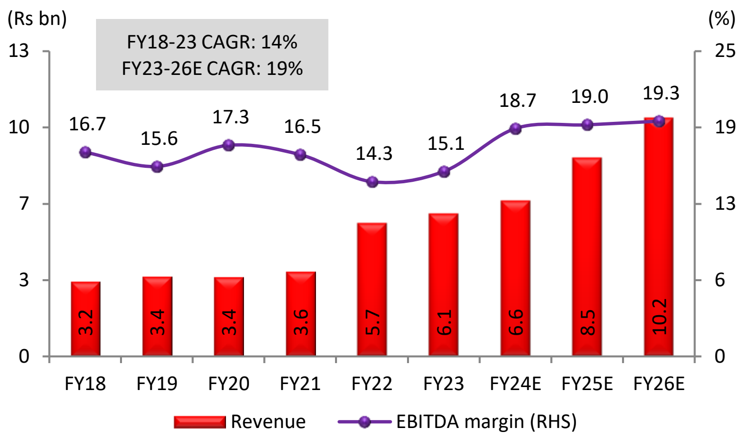


Exhibit 2: PAT and margin trends

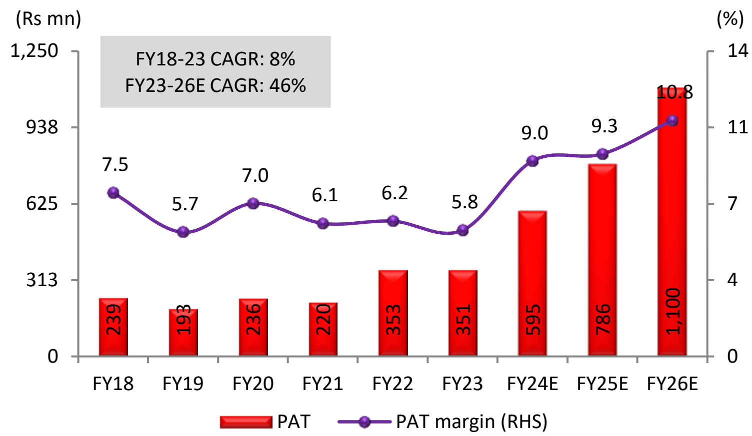


Exhibit 3: RoE, RoCE and RoIC trends

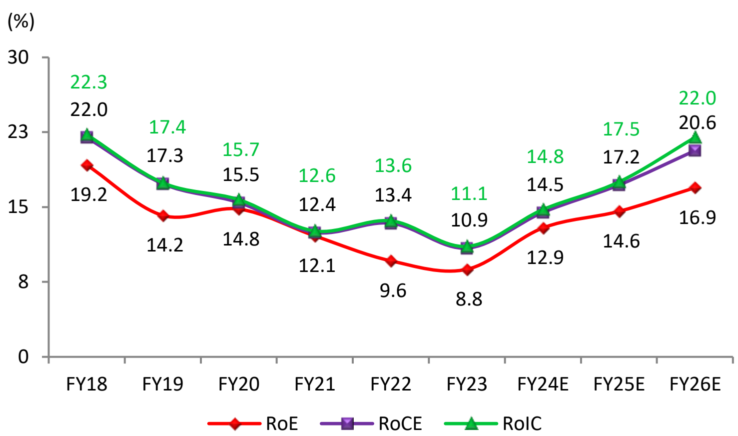


Exhibit 4: Capex: Rs 4.6bn invested in last 5 years

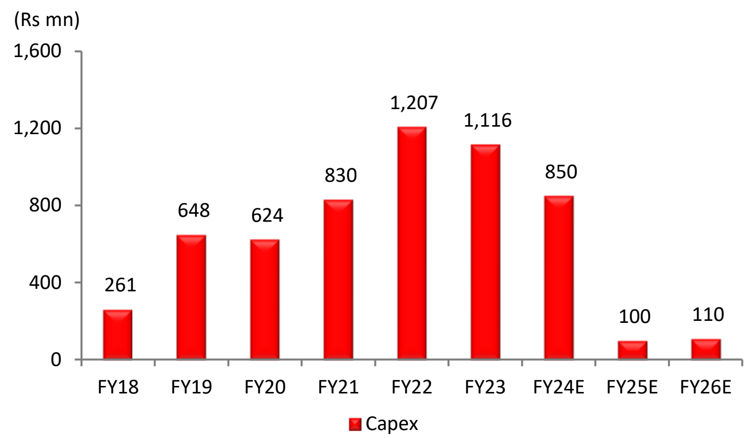


Exhibit 5: OCF/EBITDA trend

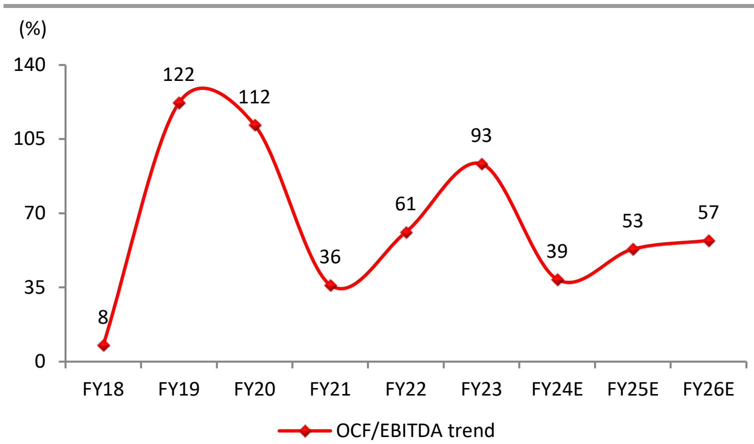
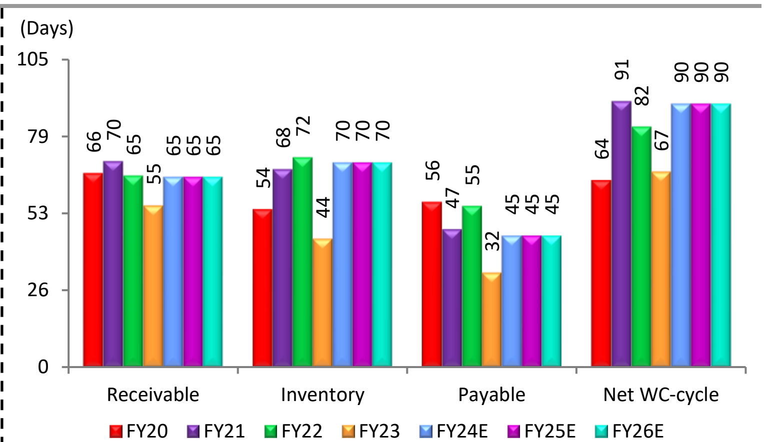


Exhibit 6: Net working capital cycle trend



Source: Company, Systematix Institutional Research

Exhibit 7: Segment-wise revenue mix (FY23, from CARE Rating)

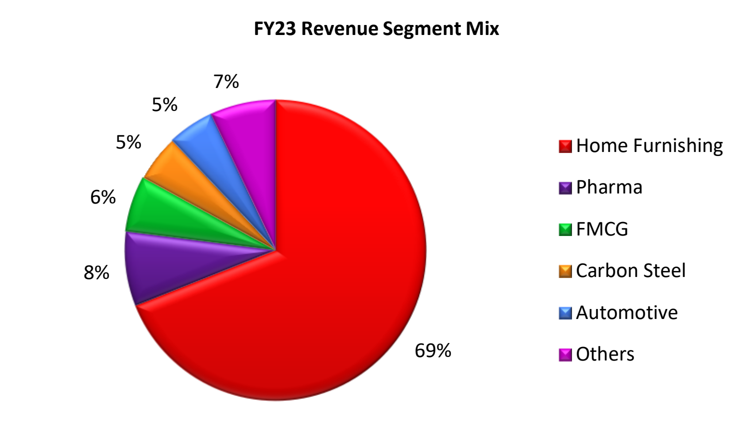


Exhibit 8: Geography-wise revenue mix trends

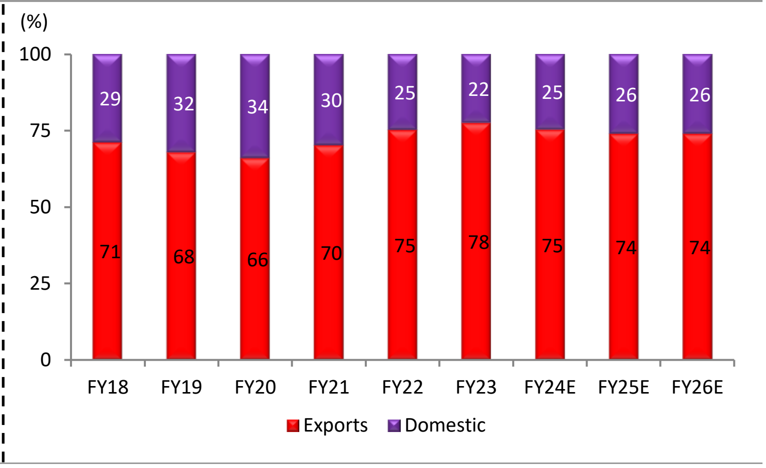


Exhibit 9: Polymer processed

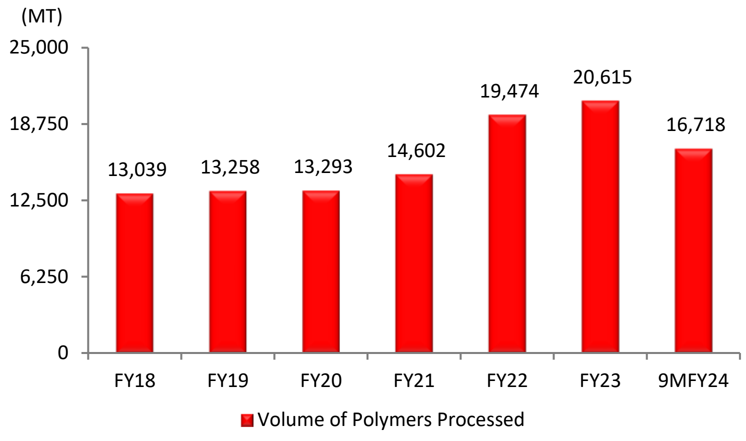


Exhibit 10: Capacity utilisation fell due to large capex

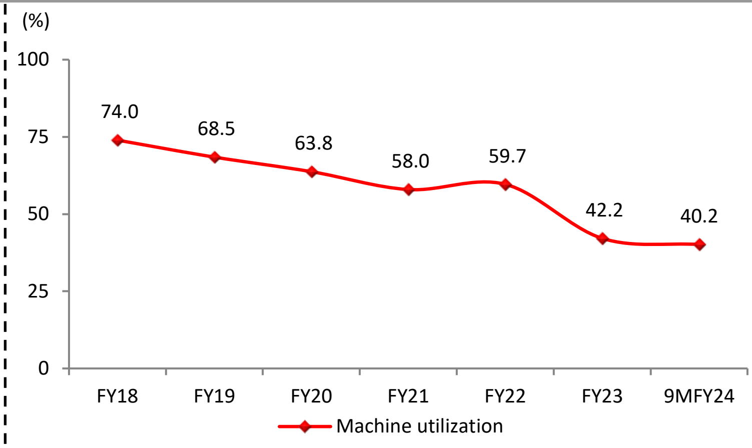
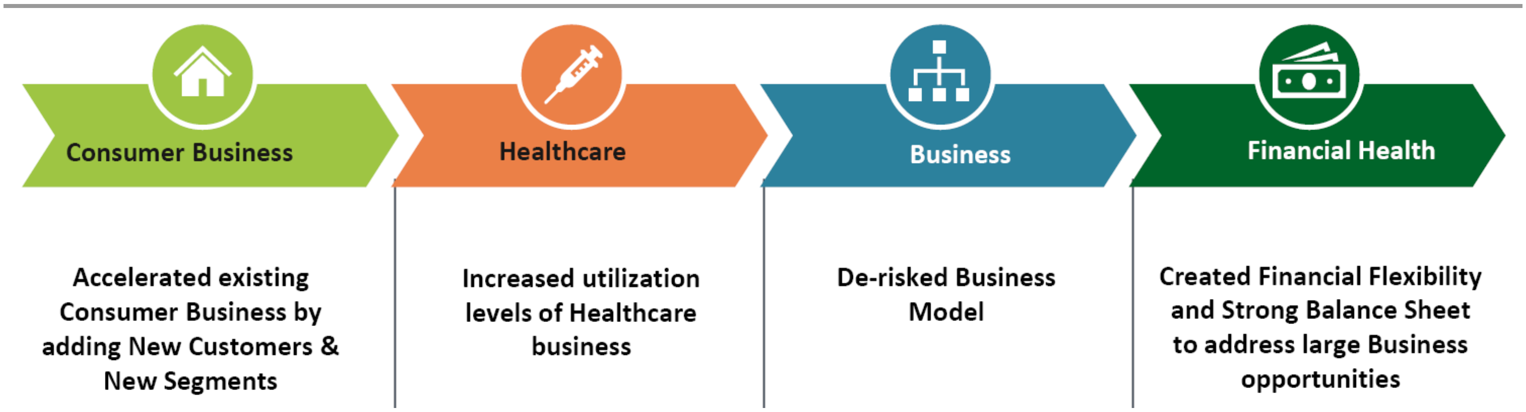


Exhibit 11: Strong base of last few years makes SHEP future ready



Source: Company, Systematix Institutional Research, CARE Ratings

Recent performance and management commentary

In 9MFY24, SHEP could report healthy uptick in margins despite flat revenue owing largely to superior vertical revenue mix. With strong order book in hand and guidance received from key customers, management is hopeful of overall strong performance over the next 2-3 years. The company is focusing to grow its pharma business (IP-led platform), steel furniture vertical, improving capacity utilisation (to 75% in 2-3 years from 40% in 9MFY24) and value-added products across verticals. Toy manufacturing lines are now also utilized for other products. US market is expected to grow significantly for SHEP. The 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 Semaglutide. The three-step auto injector is currently in the final stages of development for Tirzepatide. The current Semaglutide market is ~200mn pens a year and is estimated to reach 500mn pens by 2030. SHEP aims to garner 70% of the Semaglutide generic share. While supplies won't start until 2026 for the US market and 2030 for ROW, business opportunity is estimated to be extremely large. SHEP aims to onboard as many customers as possible and secure some commitments on volumes of these devices for the future. It clearly sees the revenue contributions from devices, where it owns the IP, to significantly increase over the next 24 to 36 months and overtake contract manufacturing revenue.

Exhibit 12: Shaily Engineering - Quarterly results trend (consolidated)

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	**1,363**	**1,345**	**1,573**	**1,576**	**1,584**	**16**	**1**	**4,733**	**4,726**	**0**
Raw material costs	869	801	927	978	888	2	(9)	2,793	3,064	(9)
Employee costs	118	120	135	131	147	24	12	413	359	15
Other expenses	181	172	241	231	230	27	(0)	703	635	11
EBITDA	**195**	**252**	**270**	**236**	**319**	**64**	**35**	**824**	**667**	**24**
Depreciation	79	99	81	81	94	19	16	256	234	9
Finance costs	48	49	39	43	50	4	16	132	130	2
Other income	2	13	9	30	11	370	(64)	49	32	53
PAT (after JV/associate)	**57**	**99**	**128**	**108**	**145**	**156**	**34**	**382**	**253**	**51**
EPS (Rs)	1.2	2.2	2.8	2.4	3.2	156	34	8.3	5.5	51
As % Total Income						**YoY (bps)**	**QoQ (bps)**			**YoY (bps)**
Gross margin	**36.2**	**40.5**	**41.1**	**37.9**	**43.9**	**769**	**598**	**41.0**	**35.2**	**583**
Emp cost	8.7	8.9	8.6	8.3	9.3	60	97	8.7	7.6	112
Other exp	9.8	9.3	8.5	8.9	9.1	(68)	22	14.8	13.4	140
EBITDA margin	**14.3**	**18.7**	**17.1**	**15.0**	**20.1**	**582**	**515**	**17.4**	**14.1**	**331**
Effective tax rate	18.8	15.4	18.8	23.5	21.7	291	(174)	21.3	24.4	(311)
PAT margin	**4.2**	**7.4**	**8.2**	**6.9**	**9.2**	**501**	**230**	**8.1**	**5.4**	**271**
Operational Data						**YoY (%)**	**QoQ (%)**			**YoY (%)**
Machine Utilization (%)	38	35	50	40	38			40	45	
Polymers volume (tons)	4,121	4,590	6,760	5,673	5,223	27	(8)	16,718	16,026	4
Revenue Mix (Geography-wise)						**YoY (%)**	**QoQ (%)**			**YoY (%)**
Exports	76.1	76.5	75.5	74.5	75.9			75.3	77.5	
Domestic	23.9	23.5	24.5	25.5	24.1			24.7	22.5	

Source: Company, Systematix Institutional Research

Shaily Engineering (SHEP) – An overview

Shaily Engineering Plastics (SHEP) was founded by Mr. Mahendra (Mike) Sanghvi in 1987. The company has evolved from a two-machine start-up to become India's leading exporter of high-precision engineered plastic products and components. Its wide customer base is spread across the healthcare, consumer, personal care, appliances, automotive and lighting industries. The company operates in the niche segment of precision molding and caters to demand from global industry leaders in their respective segments (given its long-standing relationship with a Swedish home furnishing major). Over the years, SHEP has been de-risking its business model by focusing on new business segments and customers. SHEP's entry into proprietary intellectual property (IP) for self-use drug delivery systems (set up an innovation center in UK) gives it a competitive advantage, as it is among the few global players to specialize in such products.

Overview of key business segments

SHEP's business is diversified into various product categories, which we have broadly divided into the following three segments for ease of understanding:

1. Consumer (home furnishing, personal care, steel furniture, toys)
2. Healthcare (drug delivery devices, IP-led platform, pharma packaging)
3. Industrial (automotive, lighting, appliances, engineering)

Exhibit 13: SHEP's product offerings

Source: Company

Revenue mix: A CARE Ratings report forecasts the contribution of SHEP's home furnishing segment to total sales in FY23 at 69%, followed by healthcare segment (8%), FMCG (6%), and carbon steel & automotive (5% each). During 9MFY24, ~75% of revenue came from exports to over 40 countries across America, Europe, Asia and Australia. A Swedish home furnishing major is SHEP's oldest and largest customer.

Exhibit 14: Segment-wise revenue mix (FY23 revenue and % mix)

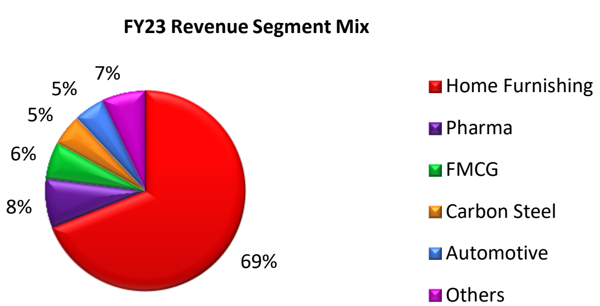
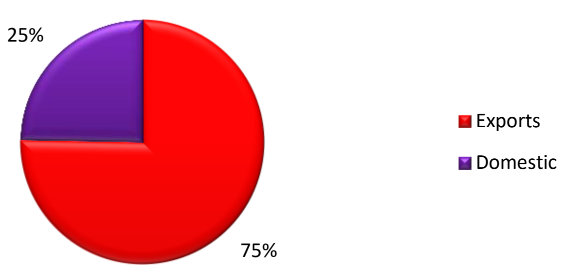


Exhibit 15: Geography-wise revenue mix (9MFY24)



Source: Company, CARE Ratings

Key clients:

- **Consumer** (Swedish home furnishing major, Gillette, Unilever, P&G, WestRock, Himalaya)
- **Healthcare (**Sanofi, Teva, Sun Pharma, Glenmark, Zydus, Stelis Biopharma, Recipharm, Dr. Reddy's, Lupin, Aurobindo, Natco, Alembic, Wockhardt, Orbicular Pharma Tech)
- **Industrial (**Amvian, ABB, GE, Haier, Electrolux, Emerson, Siemens, Corvi LED, FAG, Garrett, Schaeffler, Phoenix Mecano)

Manufacturing facilities: SHEP has 7 facilities at Rania and Halol in Gujarat (6 for plastic, 1 for steel furniture) that operate 200+ injection molding machines.

Employee strength (Mar'23): It has an employee count of 1,194 (766 are staff and 428 permanent employees), with an average age of 34 years.

Business model and strategy

- SHEP is a B2B player and is dependent on the success of its customers. The company has diversified its product portfolio across multiple customers, SKUs and business segments to mitigate business risk.
- SHEP uses PP and PVC (derivatives of crude oil) as key raw materials for its products. Thus, sharp volatility in crude oil price could hamper the company's margins. While the company works on raw material cost pass through arrangement with its customers, the mechanism varies across customers and is usually gets pass on with a lag.
- SHEP earns ~75% of revenue from exports. While these provide a natural hedge to the extent of raw materials imported, still its profitability is susceptible to fluctuations in foreign exchange rates to the extent of its net un-hedged position.

Key management personnel (KMP)

- Mr. Mahendra (Mike) Sanghvi, Executive Chairman (founder)
- Mr. Amit Sanghvi, Managing Director (son of Mr. Mahendra)
- Mr. Laxman Sanghvi, Executive Director (brother of Mr. Mahendra Sanghvi)
- Ms. Tilottama Sanghvi, Whole Time Director (wife of Mr. Mahendra Sanghvi)
- Mr. Sanjay Shah, CFO & CSO (joined in 1991)

Exhibit 16: Shareholding pattern and key shareholders

Shareholding Pattern (%)					Key Shareholders	Equity (%)
	Jun'23	Sep'23	Dec'23			Dec'23
Promoters	43.8	43.8	43.8		Lighthouse India	9.9
Free float	56.2	56.2	56.2		HDFC Small Cap Fund	6.5
Foreign Institutions	7.1	7.0	7.0		Mr. Ashish Kacholia	5.6
Domestic Institutions	13.8	13.8	13.0		Bandhan Small Cap Fund	3.9
Public & Others	35.2	35.4	36.2		Ashoka India	1.3

Source: Company

Exhibit 17: Sophisticated engineering applications prefer molded plastics

Source: Company

Investment Rationale

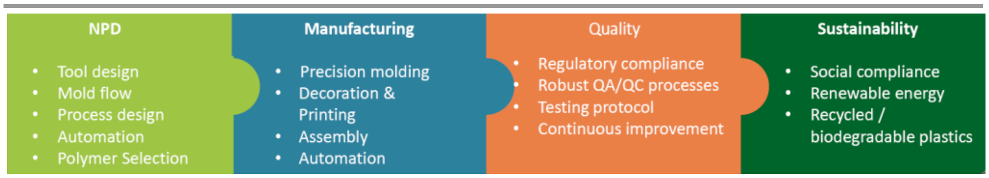
Critical product supply to marquee global clients and strong order book to drive robust growth

SHEP has been supplying critical products and components to some of the largest global marquee brands for nearly four decades. The company has expertise and experience in product designing, mold design-cum-manufacturing of engineering materials, injection molding, and has been focusing on quality, regulatory and social compliance and global supply chain requirements. Having started with home furnishing, SHEP has over the years, derisked its business model and spread itself prudently across verticals (health care, personal care, appliances, automotive and lighting). This move has not only strengthened its relationships with existing customers, but also enabled it to add new customers. Global certifications (*IATF, ISO, MDSAP*) also help in getting product approvals swiftly. Existing customers (associated with the company for 3+ years) constituted 80% of its revenue in FY23. The company gained a competitive advantage through its proprietary IP for self-use drug delivery systems (set up an innovation center in UK), rendering it among the few global players specializing in such products.

Addressing the needs of marquee global clients in a niche area

Having started its journey in 1987 with just two molding machines, SHEP today boasts of more than 200 machines across its 7 plants located at Rania and Halol in Gujarat. The company is engaged in the manufacture of high precision injection-molded plastic components and sub-assemblies, meeting the needs of marquee brands globally. It also offers secondary operations in plastics like vacuum metalizing, hot stamping and ultrasonic welding. The company caters to a wide range of industries such as home furnishing, personal care, pharmaceuticals, switchgear components, auto components, electronics and electrical appliances. It also ventured into steel furniture and plastic toys few years ago. SHEP is one of few global players to have specialized in proprietary IP for self-use drug delivery systems (set up an innovation center in UK), having created a competitive advantage for itself.

Exhibit 18: SHEP's core capabilities



Source: Company

SHEP has long-standing relationships with reputable global and domestic clients across a wide range of end-user industries. The company's focus on precision molding (a niche segment) has made it the sole supplier of various products to a large number of repeat customers (leaders in their respective segments), enabling it to deepen the integration between the organizations.

Exhibit 19: Marquee global brands as key clients

Consumer	Healthcare	Industrial
Swedish home furnishing major, Gillette, Unilever, P&G, WestRock, Himalaya,	Sanofi, Teva, Sun Pharma, Glenmark, Zydus, Stelis Biopharma, Recipharm, Dr. Reddy's, Lupin, Aurobindo, Natco, Alembic, Wockhardt, Orbicular Pharma Tech	Amvian, ABB, GE, Haier, Electrolux, Emerson, Siemens, Corvi LED, FAG, Garrett, Schaeffler, Phoenix Mecano

Source: Company

Exhibit 20: Enduring relationships with marquee global customers

Garrett	SCHAEFFLER	GE APPLIANCES	Hindustan Unilever Limited
Relationship with Shaily: +10 years **Customer complaint history:** Zero customer complaints over the last five years **External parts per million:** Manufacturing product with zero PPM since the beginning of engagement **Cost of poor quality:** Product running with zero COPQ since engagement commencement **Number of parts dispatched in three years ending FY 2022-23:** 1,333,937	**Relationship with Shaily:** 9 years **Certification:** Maruti Suzuki India Limited VSA (vendor's system audit)-qualified **Cost of poor quality:** Product running with zero COPQ since the beginning of the engagement **Number of parts dispatched in three years ending FY 2022-23:** 1,676,975	**Relationship with Shaily:** 25 years **External PPM:** Manufacturing product with zero PPM since the beginning of the engagement **Cost of poor quality:** Product running with zero COPQ since the beginning of engagement **Number of parts dispatched in the three years ending FY 2022-23:** 9,983,189	**Relationship with Shaily:** 20 years **External PPM:** Manufacturing products with zero PPM since the beginning of the engagement **Cost of poor quality:** Product running with zero COPQ since the beginning of the engagement **Number of parts dispatched in the three years ending FY 2022-23:** 17,137,484

Source: Company

Make in India and customers' China+1 strategy to augur well for SHEP

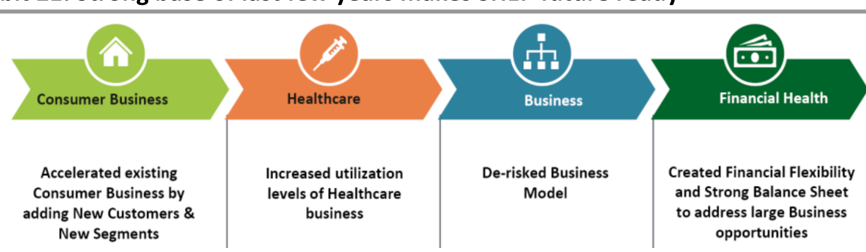
We believe SHEP is best placed to capitalize on government of India's (GoI) *Make in India* push and customers' growing acceptance of western countries opting for India-made products amid their China+1 strategy. Following the pandemic, a number of large quality-driven downstream customers began reorienting their supply chains, away from China to broad base their sourcing risks. In an increasingly bipolar world, there is a possibility that the developed west may seek to expand their non-China procurement. We believe these developments have opened unprecedented opportunities for quality-driven players like SHEP. In a bid to harness these opportunities, SHEP has been accelerating its capex intensity in the last two years and building capacities, especially in the healthcare and steel furniture segments. By venturing into these new segments, SHEP is positioning itself to explore untapped markets, capitalize on emerging trends and increase revenue streams.

Building new capabilities and diversity in order book to boost revenues

Sustained uptick in revenue, based on new business, confirmations and addition of new clients and increased contribution from new business segments are key factors that would enable SHEP to expand its revenues.

During 3QFY24, SHEP signed 4 contracts that involved developing and supplying pen injectors. In the steel furniture segment, it procured orders for 2 carbon steel products, and also received a confirmation for supply of plastic caps from an FMCG customer. Currently, its order book exceeds an estimated Rs 1bn, wherein it has received orders for 6 new products in the steel furniture segment.

Exhibit 21: Strong base of last few years makes SHEP future ready



Source: Company

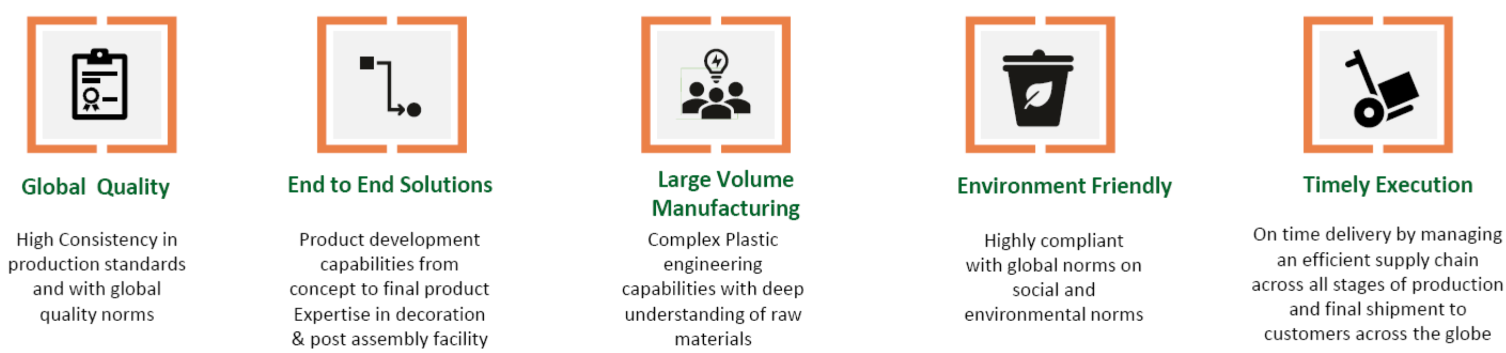
Consumer segment: steel furniture, personal care are emerging verticals

CARE Ratings estimates the consumer segment (home furnishing, personal care, steel furniture and toys) to have recorded ~85% of SHEP's total revenue in FY23, with a Swedish home furnishing major as its long-term and oldest partner, as also the largest customer. The company provides complete solutions from conceptualisation stage to the finished product in the kitchen, children, cooking-cum-eating, organizing and storage categories. Its venture into the carbon steel business and offerings of multi-material products (combination of plastic and steel) have strengthened SHEP's relationship with the Swedish home furnishings major, in addition to cementing its connect with other customers. In FY23, SHEP widened its SKU count to 48 for the Swedish major, received orders for six new products and set up a dedicated export-oriented unit (EOU) with 46 machines. However, the company's toy business disappointed due to stiff competition from China. Management is hopeful of achieving full capacity utilisation in the carbon steel segment by FY25.

SHEP's capabilities in the consumer segment

SHEP has invested in world-class technologies and intellectual property (IP) to become a key player across domains, rendering it competitive to international peers from developed European and North American countries. Moreso, its approach of end-to-end solutions for customers has strengthened its relationships with existing large global marquee brands and enabled it to add new customers of repute.

Exhibit 22: SHEP's forte in the consumer segment



Source: Company

Home furnishing vertical – proven execution with a major Swedish client

Home furnishing is SHEP's largest business vertical and is estimated to have contributed ~70% to the company's total revenue (as per CARE Ratings).

Exhibit 23: Home furnishing – product profile

Source: Company

Exhibit 24: Proven execution with a major home furnishing Swedish customer

Long Standing Relationship	Associated with the Home Furnishings major as a plastics supplier **since 2004**
Supplier of Choice	Over the years have Evolved as a **Trusted Supplier** of plastic products
Scale Up	Scaled up from **18 SKU's** in FY17 to supplying **~48 SKU's** currently
Growing Business	Started with a value of **Rs. 0.01bn** and currently have orders worth **more than ~Rs. 2bn**
Dedicated Facility	Set up a dedicated **EOU facility** to serve the requirements of the Home Furnishings Major with **more than 46 machines**
Global Suppliers	Supplies **across the Globe** to different segments: Kitchen, Children's, Cooking & Eating, Organizing & Storage

Source: Company

Personal Care – long-standing relationships with global FMCG majors

Since the early 1990s, SHEP has been serving global FMCG majors like Unilever and P&G; it subsequently added Gillette, WestRock and Himalaya to this list. Commitment to technology has empowered the company to supply innovative products with decorative features, enhancing the competitiveness of its customers. SHEP's manufacturing strength lies in ultrasonic welding, vacuum metalizing, high-speed rotary pad printing, painting and, hot stamping and hot foiling. As per CARE Ratings, the vertical contributed ~6% to total standalone revenue in FY23.

Key products: a) primary packaging for cosmetics, b) primary packaging for Vicks, c) razor handles for Gillette, and d) trigger sprays & pumps.

Key clients: Gillette, Unilever, P&G, WestRock, Himalaya.

Exhibit 25: Personal Care – product profile

Source: Company

Steel furniture – a new emerging business vertical

SHEP ventured into manufacturing of carbon steel furniture in 1QFY19 when it received an order confirmation from its largest customer, a Swedish home furnishings major. This signifies the immense faith its largest customer placed in SHEP's manufacturing prowess and execution skills. As per CARE Ratings, the vertical contributed ~5% to total standalone revenue in FY23.

SHEP invested Rs 550mn to set up a plant to process 600-tonne capacity of steel per annum, which started commercial production in 3QFY21. Currently, it has orders for 6 new products, estimated to be in excess of Rs 1bn. With this venture, SHEP has diversified into offering multi-material products (combination of plastic and steel).

Exhibit 26: Carbon steel furniture – product pics

Source: Company

Toys business – could not scale up due to tough competition from China

Looking at the vast growth opportunities in the global toy industry, SHEP ventured into manufacturing toys in FY20. The company received its first order from Spin Master during 1QFY20, and the shipments were executed in 3QFY20. Spin Master is a leading global, multi-platform and highly innovative children's entertainment company and is regarded amongst the top toy companies in the world.

While SHEP did see initial success, intense competition from China played spoilsport in the company's overall gameplan. We gather SHEP is not looking to expand this vertical, and is instead planning to utilize the manufacturing lines for other verticals.

Healthcare: On a strong footing to achieve multifold growth

Healthcare is SHEP's second largest and the fastest growing business segment, accounting for ~80% of the global insulin market. As per CARE Ratings, the segment is estimated to have recorded 8% of total standalone revenue in FY23. The company ventured into the devices segment in early 2000 and today is one of the few suppliers globally of self-use injection systems for drug delivery to marquee global brands such as Sanofi (marketed as 'AllStar Pens'). The company created the world's first insulin pen made of 100% plastic. Pens were designed to meet UL & FDA approvals and are ISO 11608 1, 2 & 3 certified. The company also holds expertise in assisting clients with compliance & regulatory filings. SHEP's development and manufacturing of proprietary IP-based self-use drug delivery systems has been seeing traction since the last five years, and is slated to witness strong growth. The company has collaborated with large multinational pharmaceutical companies in designing and manufacturing medical devices considered integral to the launch of select GLP-1 block buster drugs (*Semaglutide*, *Liraglutide*, *Terzipetide*, *Abaloparatide*, *Dulaglutide,* to name a few). SHEP's ability to develop IP & own pen injector platforms is expected to enhance the company's brand as a research-led solutions provider. It currently has a total of 5 pen injector platforms for various molecules and is working towards developing an auto injector. SHEP has added 12 drug delivery devices in commercial production. It has incurred a capex of ~Rs 1.5bn in the healthcare division in last 2 years, which provides a revenue potential of 2-3x for the next 3 to 5 years, spurred by faster penetration among existing and new clients, as well as a large product pipeline.

SHEP accounts for ~80% of the global insulin market

SHEP offers a comprehensive range of technologies, solutions and services for patient-centric and cost-effective self-medication injection systems, which accounted for ~80% of the global insulin market. In FY23, the healthcare division recorded 8% of total standalone revenue and sold around 11mn pens. The company added 12 drug delivery devices in commercial production and developed a new pen injector and auto-injector for delivery of *Semaglutide*.

Key clients: Sanofi, Teva, Sun Pharma, Glenmark, Zydus, Stelis Biopharma, Recipharm, Dr. Reddy's, Lupin, Aurobindo, Natco, Alembic, Wockhardt, Orbicular.

Exhibit 27: SHEP's forte in the healthcare segment

Drug Delivery Devices
- Contract Manufacturing
- IP Related Product Development

Primary Packaging

Dedicated Facility
In-House Research & Development Division

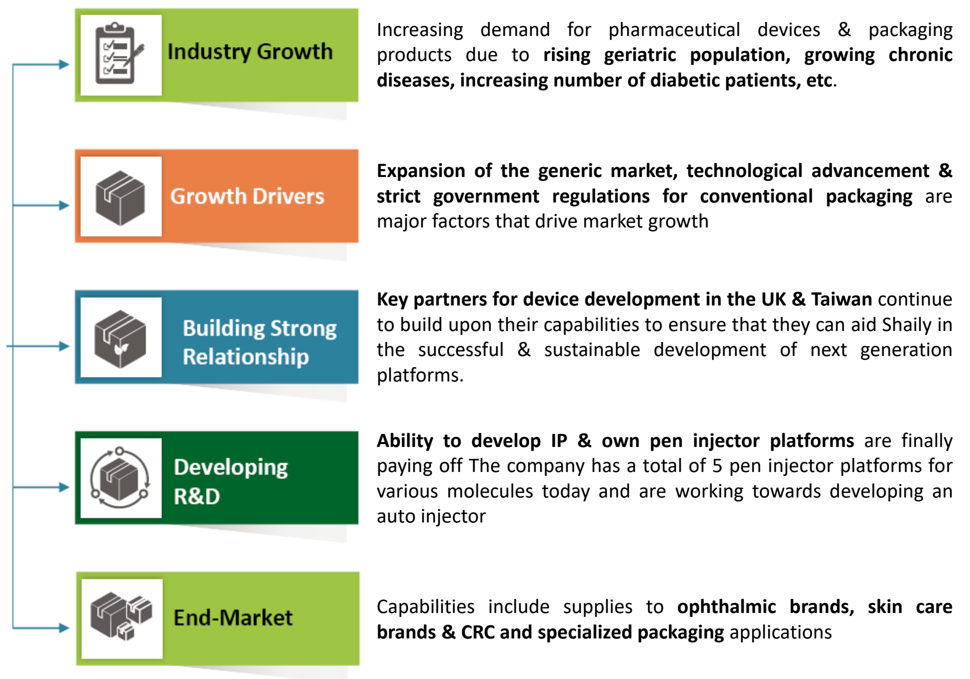
Quality & Compliance

Source: Company

Manufacturing capabilities: SHEP's state-of-the-art healthcare facility spans more than 127,000 sq. feet, marked by modern technologies. The facility is equipped with the latest Japanese all-electric molding machines, Class 8 clean room, fully automated assembly lines and other secondary operations (printing, laser marking, ultrasonic welding). The segment comprises over 28 molding machines (35 to 350 tonnes), which include specialised testing, quality control and metrology labs.

Outlook: SHEP is optimistic on the prospects of medical device segment given that there is a growing need for effective therapies and blockbuster drugs. The world is also seeking supply-chain alternatives away from China; plus, the Indian government is incentivizing domestic manufacturing. The company has added 12 drug delivery devices in commercial production and has enhanced scale (~Rs 1.5bn capex in last 2 years) to achieve 2-3x revenue growth over the next 3 to 5 years (pens and IP-products to account for ~90% of revenue).

Exhibit 28: Healthcare segment – way forward



Source: Company

Drug delivery devices – a complex territory with few global players

SHEP ventured into the devices segment in early 2000 and is today one of the few global suppliers of self-use injection systems for drug delivery to marquee global brands such as Sanofi (marketed as 'AllStar Pens'). This complex space is dominated by few global players, and its warranted knowledge-cum-quality systems present a competitive barrier. SHEP manufactures complex precision components and assemblies, which require stringent quality and tight tolerance. It also holds expertise in assisting clients with compliance & regulatory filings.

SHEP is one of the very few manufacturers of insulin pens in the world. It was the first company in the world to manufacture insulin pens made up of 100% plastic components. Pens were designed to meet UL & FDA approvals and are ISO 11608 1, 2 & 3 certified.

Below are details of SHEP's drug delivery devices:

Drug delivery devices

- **Shaily Tristan auto-injector:** Three step auto-injector with automatic needle insertion for delivery of *Dulaglutide* and *Terzipetide*
- **Shaily Toby auto-injector:** Two-step auto injector for delivery of *Semaglutide*

- **ShailyPen Neo:** Automatic variable dose and fixed dose pen injector developed for delivery of *Semaglutide* and *Liraglutide*
- **ShailyPen Protean:** 0-60 IU insulin reusable/disposable, settable for alternate therapies – triple-dose, double-dose and single dose (GLP-1 (good lab practice), Liraglutide and Abaloparatide)
- **ShailyPen Axiom:** HGH (human growth hormone), FSH (follicle stimulating hormone), PTH (parathyroid hormone) and GLP-1 therapies
- **ShailyPen Maxim:** 0-80 IU insulin reusable/disposable, single dose and multidose alternate therapies

Exhibit 29: Key drug delivery devices

Exhibit 30: Parts of insulin pens

Exhibit 31: Product basket

Source: Company

Strengthening R&D capabilities to drive IP-led platform business

SHEP's development and manufacturing of proprietary IP-based self-use drug delivery systems has been seeing traction for the last five years, and is expected to witness strong growth. The company has been collaborating with large multinational pharmaceutical companies in designing and manufacturing medical devices considered integral to the launch of select block buster drugs (*Semaglutide*, *Liraglutide*, *Terzipetide*, *Abaloparatide*, *Dulaglutide,* to name a few). SHEP's ability to develop IP & own pen injector platforms is expected to enhance the company's brand as a research-led solutions provider. It currently has a total of 5 pen injector platforms for various molecules and is working towards developing an auto injector. SHEP also participated in many exhibitions like CphI in Europe, PharmaPack EU and CphI India to promote SHEP's capabilities.

The company has been investing in world-class technologies and IP to become a key player across domains. Its innovation center in UK (set up to leverage available talent pool of engineers) and Shaily India (efficient manufacturing) collaborate to develop world-class leading technologies and IP for self-use drug delivery systems, covering the entire development and regulatory cycle. Hence, we believe the company is competitively positioned versus international peers from the developed European and North American countries. It has thus managed to carve out a significant generic market share in the pharmaceutical sector, making it a preferred collaborative partner in the development of research-driven drug delivery combination products.

SHEP's R&D capability can be evaluated through a case study. A global generic pharma company needed an auto injector that did not infringe the existing patent while maintaining the same user interface and functionality. The product was conceived based on a reference product extensively studied by SHEP's design team. After the user need and design inputs containing the specification of the product were defined, Shaily UK developed a proprietary dosing mechanism that performed the same function without infringing on any IP. This design granted patents in several geographies. Detailed engineering was carried out with several rounds of prototyping and testing that resulted in the company developing a robust and high-quality device that could be mass manufactured. Subsequent manufacturing activities were undertaken using high-precision equipment to maintain tight tolerances and precise components. Management indicated that the project is currently in the last stages of design verification, following which, shipments will likely start to various customers.

Pictures of caps and closures

Solid Dosage Forms

Liquid Dosage Forms

Specialty Packaging

Pharma packaging business

Primary pharmaceutical packaging are products that come in direct contact with the medicine or drug. They include plastic bottles, glass bottles, pre-filled syringes, pre-filled inhalers, medication tubes, blister packaging, and others. Pre-fillable syringes and pre-fillable inhalers are the major contributors to the growth of this segment. Plastic bottles, blister packs, and ampoules and vials are also some of the primary pharmaceutical packaging that are seeing rapid growth. Advancements in biotechnology, leading to the introduction of new injectable parenteral therapies, and increased demand for high visibility unit dosage packaging for diseases such as diabetes could drive the primary packaging segment.

SHEP is a leading supplier of primary pharmaceutical packaging products to global pharmaceutical brands, and these offer superior protection to APIs (active pharmaceutical ingredients). The company adds value to its clients through expertise in materials, manufacturing, quality and regulatory compliance.

Management commentary during 3QFY24 earnings conference call

- SHEP signed four new contracts for development and supply of pen injectors with large pharma companies during 3QFY24.
- US market is expected to grow significantly for SHEP.
- The 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 (*Semaglutide*) for Wegovy.
- For *Semaglutide*, SHEP is the only spring driven solution that matches that the device of the innovator. The current Semaglutide market is ~200mn pens a year and is estimated to reach 500mn pens by 2030. SHEP aims to garner 70% of the *Semaglutide* generic share. While supplies won't start until 2026 for the US market and 2030 for ROW, business opportunity is estimated to be extremely large in the long term.
- The three-step auto injector is currently in the final stages of development for *Tirzepatide* for Mounjaro. SHEP is trying to secure orders from large European and American generics companies. The final deadline for NCE-1 is May'26. SHEP will start supplying smaller volumes to generics even before its official launch (expected after 2030) for their requirements of clinical batches.
- It has created a healthy pipeline for *Teriparatide* and GLP-1, where SHEP has a very unique advantage on its device versus its competitors. The objective is to onboard as many customers as possible and secure some commitments on volumes for the future.
- In addition to this, Shaily Safe Lab is meant for delivery of *Lanreotide*.
- Management clearly sees the revenue contributions from devices, where it owns the IP, to significantly increase over the next 24 to 36 months and overtake contract manufacturing revenue.

Industry outlook

Global pharma devices market to expand at 5.5% CAGR by 2029

The global market for medical devices is anticipated to expand at 5.5% CAGR by 2029. An increasing number of patients is undergoing diagnostic and surgical procedures due to the surge in chronic diseases and emphasis on early diagnosis and relevant treatments.

The number of in-patient admissions, surgical and diagnostic procedures are increasing and driving the demand for medical devices, including capital equipment and consumables in developed and emerging countries. This is being augmented by increasing investments by leading market players in R&D for the development of technologically-advanced equipment, with an aim to cater to the growing demand for innovative devices.

The medical devices industry is anticipated to witness sustained growth, following increasing investments by medical technology companies in R&D, and favourable conditions provided by regulatory authorities for their approvals. A rapid rise in the geriatric population is strengthening the demand for ophthalmic and orthopedic procedures, due to the mounting incidences of impaired vision and joint fractures in the elderly.

The growing per capita healthcare expenditure in developed and emerging countries as well as improving reimbursement policies are leading to the rising number of patients undergoing diagnosis and treatments, strengthening the demand for medical devices in these countries.

Global pharma drug delivery market to surpass USD 2.05trn by 2030 at 3.7% CAGR

In 2022, the global pharmaceutical drug delivery market was valued at USD 1.53trn and is projected to surpass USD 2.05trn by 2030, expanding at a CAGR of 3.7%. The global pharmaceutical drug delivery market is significantly driven by the rising prevalence of various chronic diseases such as diabetes, cardiovascular diseases, and cancer, coupled with technological advancements in the manufacturing and development of innovative devices for pharmaceutical drug delivery. Diabetes is a prominent reason behind kidney failure, heart attacks, blindness, and stroke. Therefore, a rapidly growing prevalence of various chronic diseases across the globe is strengthening the demand for innovative drugs and drug delivery solutions.

The rapidly growing biopharmaceutical Industry and development of various new and innovative drugs in the industry are driving growth in the pharmaceutical drug delivery market. Growing investments by prominent pharmaceutical manufacturers in the R&D of the new drugs to treat incurable diseases are enhancing the need for pharmaceutical drug delivery solutions. Moreover, the presence of several top market players in the pharmaceutical drug delivery market and key development strategies (new product launches, mergers, acquisitions and partnerships) too are boosting growth this market.

Global pharma packaging business to grow at 15% CAGR over 2021-2027

The pharmaceutical packaging market was valued at USD 100bn in 2021 and projected to touch USD 230bn by 2027, at ~15% CAGR. The growing demand for pharmaceutical packaging can be attributed to a) rising healthcare expenses, and b) growing consumer awareness about healthier lifestyles. Advanced drug delivery, growing emerging economy markets such as India, Thailand, China, and others and innovative packaging solutions with higher patient convenience and compliance drive the pharmaceutical packaging market.

Industrial segment: appliances and automotive verticals to lead growth

As per CARE Ratings, the industrial segment (automotive, lighting, appliances, engineering) is estimated to have recorded 5-10% of total standalone revenue in FY23. It is a trusted partner for components (knobs, etc.) and casings of electrical household appliances. It also provides solutions that replace metal with high-strength plastic, transforming light weighing the vehicle, enhancing productivity and cost savings for automotive manufacturers. It is the only licensed processor of *Torlon* polymer in India and a supplier of ultra-high-performance thermoplastic for critical automotive components. Management is hopeful of healthy growth in this segment, led by the appliances vertical, based on its current order book position and regular engagement with customers.

SHEP's technical prowess

SHEP's manufacturing capabilities can be understood from a case study. Honeywell needed to replace its three-piece metal connecting rod in the turbo charger with plastic to reduce costs without compromising productivity. SHEP converted the three-piece metal connecting rod into a single piece high strength plastic. The end-product produced demonstrated the same life cycle as the metal connecting rod but with greater productivity and at a reduced cost, validating SHEP's superior engineering.

Key clients: Amvian, ABB, GE, Haier, Electrolux, Emerson, Siemens, Corvi LED, FAG, Garrett, Schaeffler, Phoenix Mecano

Exhibit 32: Industrial segment – working towards replacing metals with high-strength plastics

Automotive
Applications in the turbo chargers of high-end luxury cars

Engineering Plastics
Manufacturing high value-added products from ultrahigh- performance engineering plastics

Unique Molding Process
Proprietary molding process to manufacture components from Torlon and PEEK

Tooling
Years of expertise in designing and developing moulds, with a focus on mould flow analysis and design for manufacture

Assembly Solutions
Complete molding and assembly solutions with manual, semi-automated and fully automated processes to reduce cost and promote quality

Metal to Plastic Conversion
Outstanding solutions to replace metal with high strength plastic, resulting in greater productivity and cost savings

Source: Company

Nearly 4-decade experience in manufacturing high precision products in niche segments, a key differentiator

Mr. Mahendra (Mike) Sanghvi founded SHEP in 1987, which today is India's leading exporter of high-precision engineered plastic products and components. The company has 7 manufacturing facilities at 2 locations, with over 200 molding machines ranging from 35 to 1,000 tonnes. The company has nearly 4 decades of experience in manufacturing high precision innovative quality products in niche segments, which plays a key role in driving its growth. SHEP has been successful in establishing relationships with reputed global and domestic clients across a wide range of end-user industries, which enhance its annuity income and revenue visibility. Its long-standing relationships with marquee global customers such as a Swedish home furnishings major, Unilever, P&G, Garrett (erstwhile Honeywell) and GE Appliances are testimony to SHEP's manufacturing prowess.

High-precision products and strategic location aid exports

SHEP's core strength lies in manufacturing high-precision plastic products using high-performance engineering polymers coupled with molding and assembly functions equipped with high-speed automation and robotic technologies.

SHEP's manufacturing plants are strategically located close to Vadodara (Gujarat), ensuring easy access to suppliers and customers, enabling hassle-free shipments of products. The company exports its products to more than 40 countries across America, Europe, Asia and Australia.

Exhibit 33: 7 plants with 200+ molding machines up to 1,000 tons

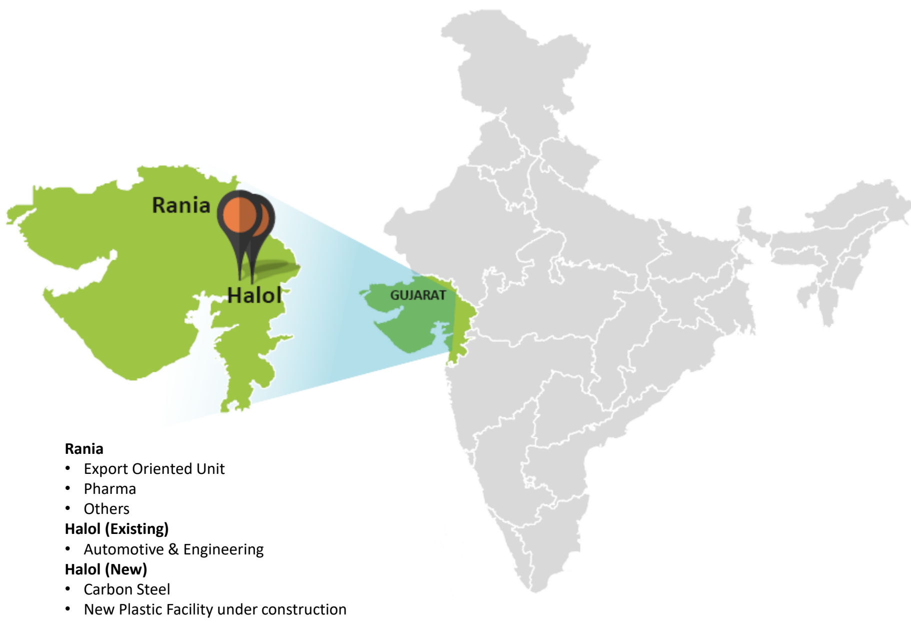


Exhibit 34: Manufacturing of consumer products

Source: Company

Higher capacity utilisation, greater revenue mix of healthcare and VAP to drive margins, return ratios and FCFs

SHEP has always believed in building capacities ahead of demand across market cycles. This is helped the company in gaining customers' confidence of being an assured product supplier during a market upturn. During FY18-23, the company invested over Rs 4.4bn towards adding capacities across product verticals that constitute ~80% of the company's current gross block. It incurred a large investment of ~Rs 2bn (funded via internal accruals and debt, while maintaining its net-debt/equity at <1x) in last two years towards building capacities in the healthcare and steel furniture verticals. Large capacity addition led to lower capacity utilisation in initial years, which had a bearing on its margins. We expect EBITDA margin to cross 19% (FY23: 15.1%), as the company expects to focus on improving capacity utilisation (CU), value-added products (VAP) and increase the share of high-margin healthcare segment in its revenue mix. With no major capex planned (till CU reaches 75% from ~40% in 9MFY24) and prudent working capital management (90-day cycle), we expect RoCE to double to 20%+ in FY26E from ~11% in FY23 to generate cumulative FCF of ~Rs 1.8bn over FY25E-FY26E (management intends to use this to pare debt by ~Rs 400mn annually).

Exhibit 35: Capex trend

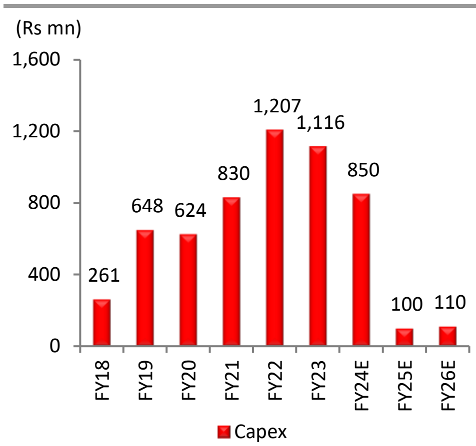


Exhibit 36: Capacity utilisation

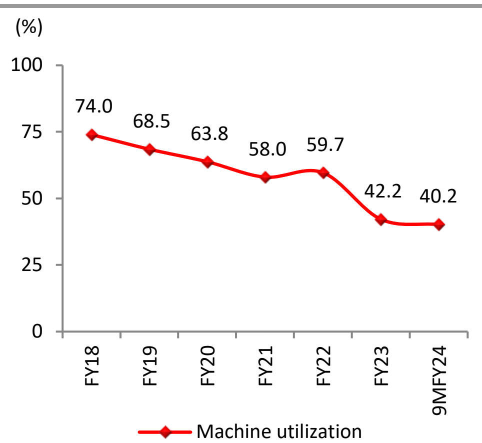


Exhibit 37: Margins trend

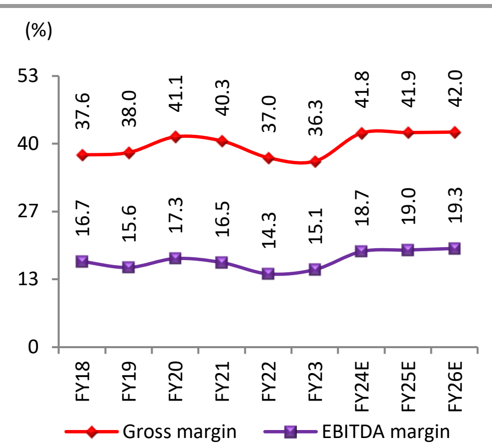


Exhibit 38: RoE, RoCE, RoIC trend

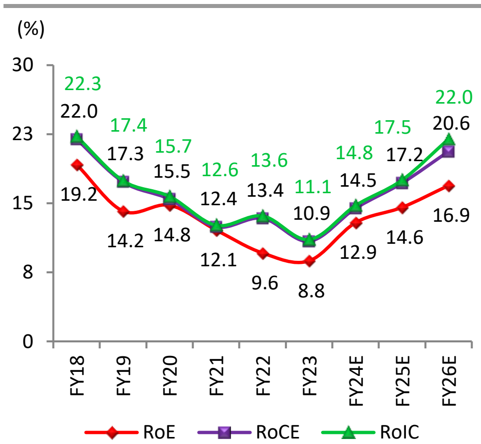


Exhibit 39: Healthy FCF generation…

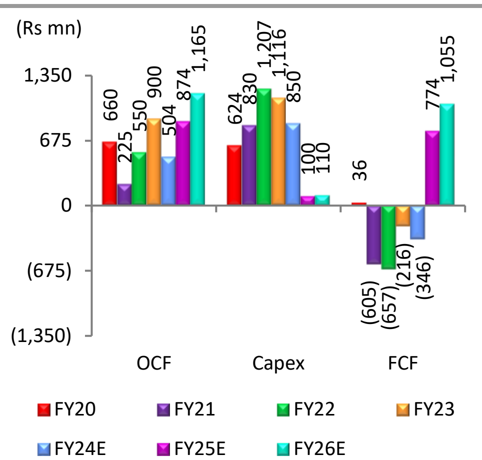
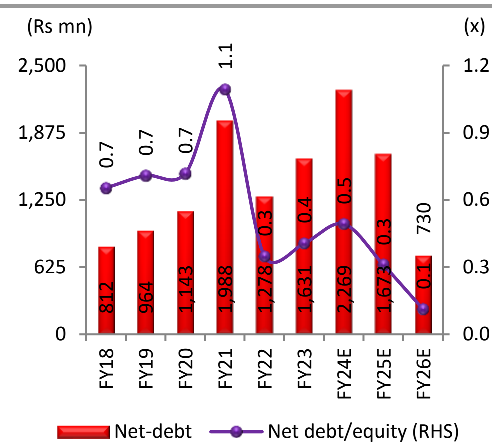


Exhibit 40: …to result in turning net-cash



Source: Company, Systematix Institutional Research

Financial outlook

SHEP reported soft revenues in FY23 (up 6% YoY), restricted by 14%/35% YoY decline in plastic/carbon-steel sales volumes. Subdued demand in export markets amid a global recessionary environment led to the weak volumes, despite 29%/74% YoY higher realisations in the plastic/carbon-steel segments, respectively. Increase in SKUs of the home furnishing and automotive divisions boosted realisations (Source: CARE Ratings).

We estimate 19% CAGR in revenue over FY23-26E (14% CAGR over FY18-23) anticipating a) a sharp recovery in the healthcare vertical, b) additional revenues from new verticals (steel furniture, drug discovery IP-led platform), and c) normalization in the home furnishing and personal care verticals. Lower capacity utilisation and RM cost inflation impacted gross and EBITDA margins in the last two years. We expect these to recover FY24 onwards to ~42% (FY23: 36.3%) and ~19% (FY23: 15.1%), respectively, as the company endeavors to enhance CU, value-added products and increase the share of high-margin healthcare vertical in its revenue mix. Thus, we estimate 29%/46% CAGR in EBITDA/PAT over FY23-26E. Effective tax rate is assumed at ~23% due to lower tax rate charged in the UK subsidiary (IP platform fees have substantial margins). With no major capex planned (~Rs 2bn in last 2 years; till CU reaches 75% from ~40% in 9MFY24) and a prudent working capital management (90-day cycle), we expect RoCE to double to 20%+ in FY26E from ~11% in FY23 to generate cumulative FCF of ~Rs 1.8bn over FY25E-FY26E (to be used to pare debt by ~Rs 400mn annually). We estimate healthy OCF/EBITDA (~60%) and FCF/PAT (~100%) over the next 2 years.

Exhibit 41: Revenue trends

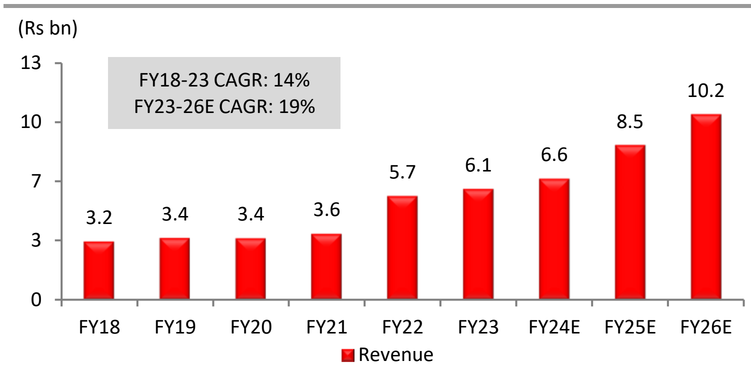


Exhibit 42: Gross, EBITDA margins (%)

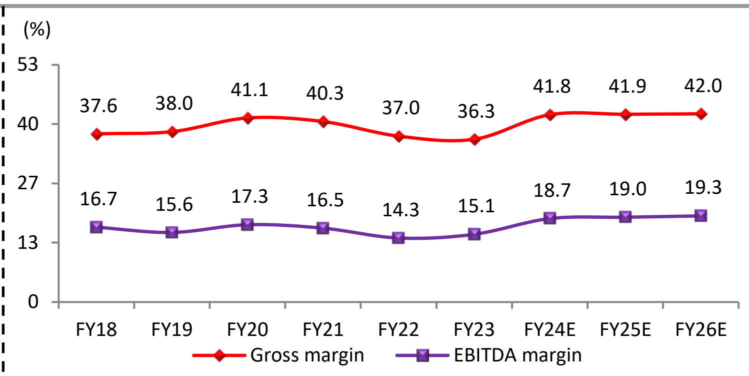


Exhibit 43: EPS, PAT margin (%)

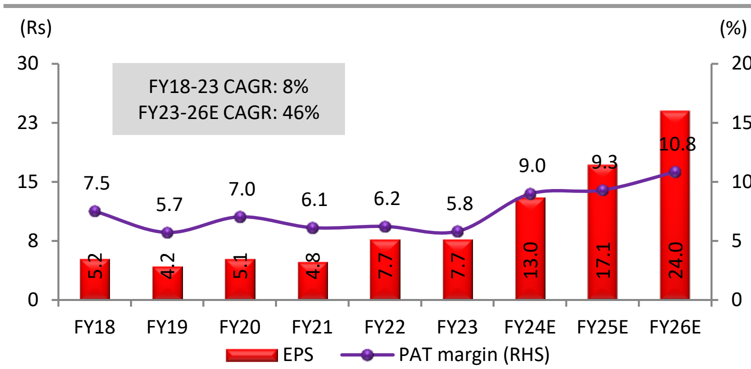
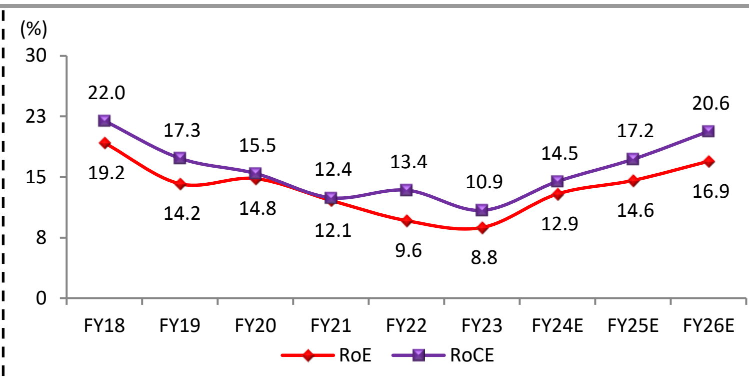


Exhibit 44: RoE, RoCE trends



Source: Company, Systematix Institutional Research

Exhibit 45: Working capital cycle

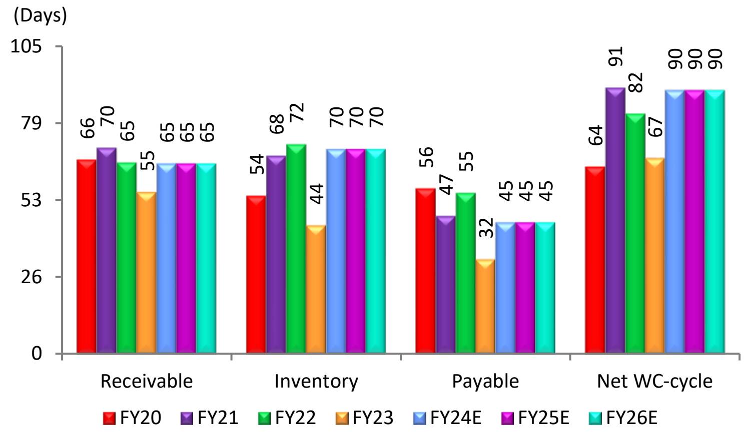


Exhibit 46: OCF, capex and FCF trends

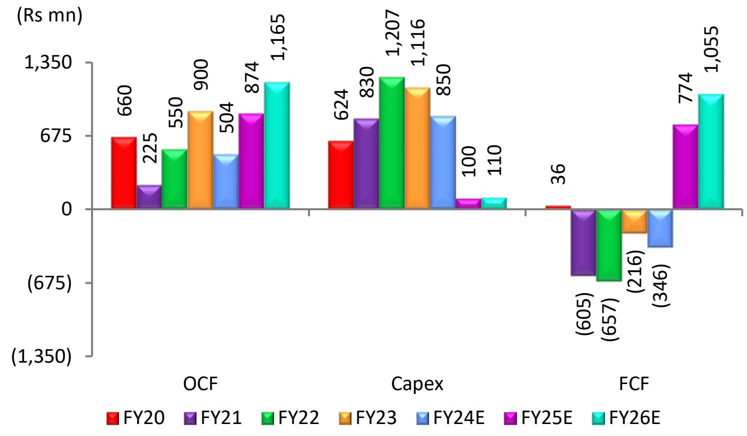


Exhibit 47: EBITDA/Gross block

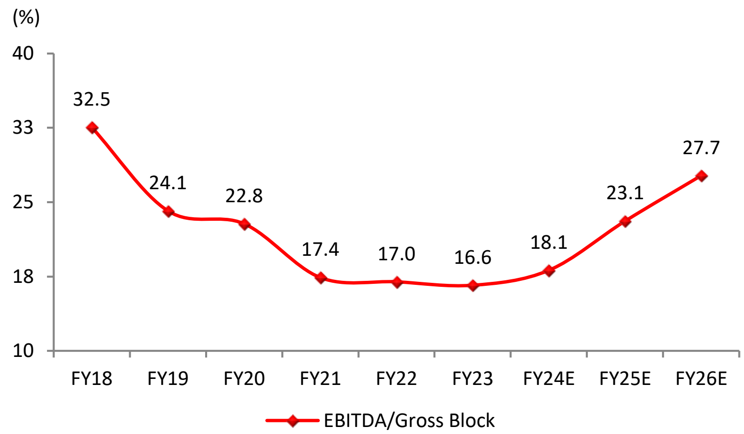


Exhibit 48: OCF/EBITDA trend

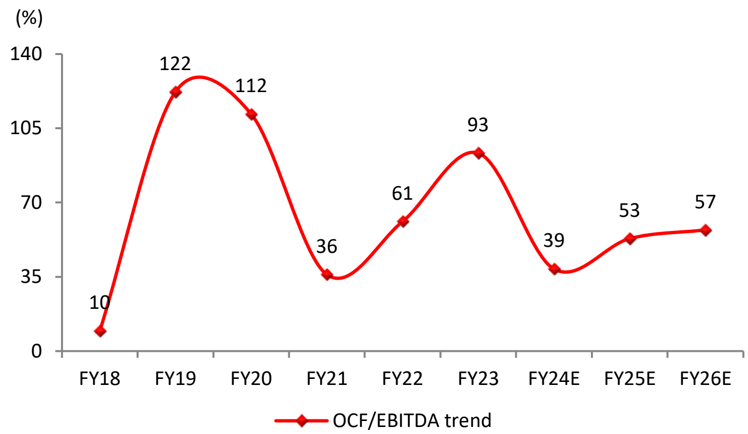


Exhibit 49: DuPont analysis

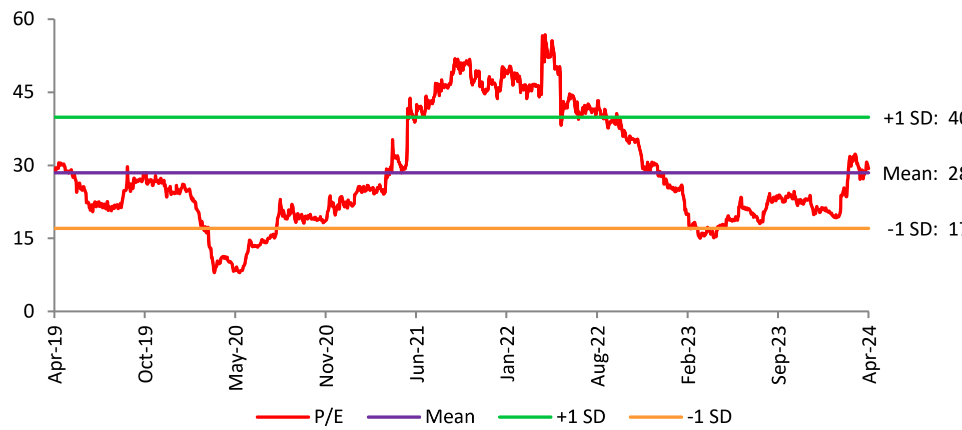
	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
RoE (%)	14.8	12.1	9.6	8.8	12.9	14.6	16.9
PAT margin (%)	7.0	6.1	6.2	5.8	9.0	9.3	10.8
Total Asset Turnover (x)	1.7	1.1	1.3	1.2	1.1	1.4	1.5
Equity Multiplier (x)	1.3	1.8	1.2	1.3	1.3	1.1	1.0

Source: Company, Systematix Institutional Research

Valuation and outlook – Initiate with a BUY

We initiate coverage on SHEP with a BUY rating and a target price of Rs 720 (42% upside potential), based on 30x FY26E P/E. The company reported healthy uptick in margins despite flat revenue during 9MFY24 owing to superior revenue mix. Based on its strong order book and guidance received from key customers, we expect SHEP to report robust 19%/29%/46% CAGR in revenue/EBITDA/PAT over FY23-26E (FY18-23: 14%/12%/8%), respectively. A sharp recovery in the healthcare vertical, additional revenues from new verticals (steel furniture, drug discovery IP-led platform) and an uptick in EBITDA margin (19%+, arising from improving CU, value-added products and higher share of high-margin healthcare vertical in its revenue mix) support our argument. With no major capex planned (~Rs 2bn in last 2 years; till CU reaches 75% from ~40% in 9MFY24) and prudent working capital management (90-day cycle), we expect RoCE to double to 20%+ in FY26E from ~11% in FY23 to generate FCF of ~Rs 1.8bn over FY25E-FY26E (to be used to pare debt by ~Rs 400mn annually). We estimate healthy OCF/EBITDA (~60%) and FCF/PAT (~100%) over the next 2 years.

Exhibit 50: SHEP – one year forward PE band and standard deviation (SD)



Source: BSE, Systematix Institutional Research

Exhibit 51: Peer valuation comparison

	CMP	TP	Reco	P/E (x)			1-yr fwd PE (5-yr)			EPS (Rs)			CAGR FY18-23 (%)			CAGR FY23-26E (%)			RoE (%)		RoIC (%)	
	01-Apr	(Rs)		FY24E	FY25E	FY26E	Mean	+1 SD	-1 SD	FY24E	FY25E	FY26E	Rev	EBITDA	PAT	Rev	EBITDA	PAT	FY23	FY26E	FY23	FY26E
Shaily (SHEP)	**508**	**720**	**BUY**	**39**	**30**	**21**	**28**	**40**	**17**	**13**	**17**	**24**	**18**	**15**	**17**	**19**	**29**	**46**	**9**	**17**	**11**	**22**
CARYSIL	1,006	1,239	BUY	42	26	20	19	30	8	24	39	50	25	33	34	24	30	36	17	23	18	25

Source: BSE, Systematix Institutional Research

Key risks

High concentration of customers with moderate bargaining power

- Home furnishing continues to be the largest segment for SHEP, contributing ~69% of its FY23 revenue (FY22: ~57%). Majority of the revenue in the segment comes from a single Swedish player, reflecting high concentration from a single customer. While the association with leading global and domestic players reduces counterparty credit risk, it restricts SHEP's bargaining power in comparison to a larger client base.

Raw material price volatility poses risk to margins

- SHEP uses PP and PVC (derivatives of crude oil) as key raw materials to manufacture its products. Any sharp volatility in crude oil prices could hamper the company's margins. While the company works on raw material cost pass through arrangements with customers, the mechanism varies across customers and is usually passed on with a lag.

Exposure to forex fluctuations poses risk to margins

- SHEP earns ~75% of its revenue from exports. While these provide a natural hedge to the extent of the raw materials it imports, the company's profitability is susceptible to fluctuations in foreign exchange rates to the extent of its net un-hedged position.

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues (Rs mn)	**5,677**	**6,071**	**6,633**	**8,461**	**10,160**
Growth (%)	*57*	*7*	*9*	*28*	*20*
RM costs	3,575	3,865	3,858	4,914	5,890
Gross Margin (%)	*37.0*	*36.3*	*41.8*	*41.9*	*42.0*
Employee & Other exp.	1,290	1,287	1,536	1,943	2,313
EBITDA	**812**	**919**	**1,238**	**1,605**	**1,957**
EBITDA margins (%)	*14.3*	*15.1*	*18.7*	*19.0*	*19.3*
- Depreciation	265	333	357	406	417
Other income	88	45	60	42	81
Interest Exp	169	179	182	220	193
PBT	465	452	759	1,021	1,429
Effective tax rate (%)	*24.2*	*22.2*	*21.6*	*23.0*	*23.0*
+ Associates/(Minorities)	-	-	-	-	-
Net Income	**353**	**351**	**595**	**786**	**1,100**
Adjusted income	353	351	595	786	1,100
WANS	46	46	46	46	46
FDEPS (Rs)	8	8	13	17	24
FDEPS growth (%)	*60.1*	*(0.3)*	*69.2*	*32.1*	*40.0*

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	92	92	92	92	92
Net worth	3,670	4,014	4,609	5,395	6,495
Total debt	1,749	1,861	2,361	2,061	1,761
Minority interest	-	-	-	-	-
DT Liability/(Asset)	132	170	-	-	-
Capital Employed	**5,550**	**6,045**	**6,970**	**7,456**	**8,256**
Net tangible assets	3,224	3,479	4,422	4,136	3,839
Net Intangible assets	215	372	372	372	372
Goodwill	-	-	-	-	-
CWIP	161	490	40	20	10
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	0	0	0	0	0
Current Assets	2,686	2,344	3,183	3,895	4,558
Cash	471	230	92	388	1,031
Current Liabilities	1,205	870	1,139	1,354	1,554
Working capital	1,480	1,475	2,045	2,540	3,004
Capital Deployed	**5,551**	**6,046**	**6,970**	**7,456**	**8,256**
Contingent Liabilities	32	30	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	615	633	881	1,198	1,541
+ Non-cash items	265	333	357	406	417
OCF before WC changes	881	966	1,238	1,605	1,957
- Incr./(decr.) in WC	266	6	570	496	464
Others including taxes	64	60	164	235	329
Operating cash-flow	550	900	504	874	1,165
- Capex	1,207	1,116	850	100	110
Free cash-flow	(657)	(216)	(346)	774	1,055
Acquisitions					
- Dividend	-	-	-	-	-
+ Equity raised	1,497	-	-	-	-
+ Debt raised	(251)	118	500	(300)	(300)
- Fin Investments	100	(80)	-	-	-
- Misc. Items (CFI + CFF)	148	142	292	178	112
Net cash-flow	341	(160)	(139)	296	643

Ratios @ Rs 508

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	66.1	66.3	39.2	29.6	21.2
EV/EBITDA (x)	30.3	27.1	20.7	15.6	12.3
EV/sales (x)	4.3	4.1	3.9	3.0	2.4
P/B (x)	6.3	5.8	5.1	4.3	3.6
RoE (%)	9.6	8.8	12.9	14.6	16.9
RoCE (%)	13.4	10.9	14.5	17.2	20.6
ROIC	13.6	11.1	14.8	17.5	22.0
DPS (Rs per share)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Net debt/equity (x)	0.3	0.4	0.5	0.3	0.1
Receivables (days)	65	55	65	65	65
Inventory (days)	72	44	70	70	70
Payables (days)	55	32	45	45	45
CFO:PAT (%)	156	256	85	111	106

Source: Company, Systematix Institutional Research

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