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SEPL/SE/Jun/22-23
June 03, 2022

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Scrip Code : SHAILY

Sub : Q4FY22 Earnings Call Transcript

Ref : Regulation 30 of the SEBI Listing Regulations, 2015

Dear Sir,

We refer to our previous letter dated June 01, 2022, wherein the Company updated the audio link of Earnings call held on 31st May, 2022 to discuss the operational & financial performance of the Company for the quarter & year ended on March 31, 2022.

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

A copy of the same is also available on www.shaily.com website at www.shaily.com at <https://www.shaily.com/investors/investor-presentation-updates>.

Kindly take the same on record.

Thanking You

Yours truly,
For Shaily Engineering Plastics Limited

Preeti Sheth
Asst. Company Secretary
ICSI M.No. ACS36624



Shaily Engineering Plastics Limited

May 31, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th May 2022 will prevail



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



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Moderator:

Ladies and gentlemen, good day and welcome to Shaily Engineering Plastics Limited Q4 FY22 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on belief, opinions and expectations of the company as on the date of this call. The statements are not the guarantees of future performance and involves risk 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 '*' than '0' on your touch tone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Amit Sanghvi, Managing Director, Shaily Engineering Plastics Limited. Thank you and over to you, sir.

Amit Sanghvi:

Thank you very much. Good afternoon and a warm welcome to all the participants to the post results earnings call of Shaily Engineering Plastics. I hope you're all keeping safe and healthy. I have with me Mr. Sanjay Shah, our Chief Strategy Officer; and SGA our Investor Relations Advisors. I hope you had a look at our investor presentation that is uploaded on our website and the stock exchange.

I'm happy to share that we have registered our highest quarterly revenue in Q4 FY22 and recorded highest ever revenues on a yearly basis in financial year '22. This has been on the back of improved traction seen across segments and ramp up in projects. The visibility we have across various businesses gives immense confidence that we will be able to scale up further and grow.

Revenue growth has been aided by growth in business across verticals especially the Healthcare and Toy segment. We've added new SKUs in the Home Furnishing segment as well, and also in Devices. Deepening our foray in the intellectual property related products for healthcare. Healthcare is now our second largest revenue contributing segment. During the year we've added 12 drug delivery devices in commercial production.

During Q4 FY22, IP has been acquired for another pen injector. I'm also happy to announce that a product manufactured by Shaily for Sanofi has been the recipient of a sustainable design award at the pharma pack exhibition last week in Paris. We've also finalized the contracts for pen injector with the leading Indian pharma company. We have built a scalable model which would help us achieve 2x to 3x revenue growth in the coming five years.

Through Shaily UK, we cater to global markets today. We're deepening for across contract manufacturing on medical devices, own IP developed products and specialty packaging. Our ability to develop IP and our own injection system platforms is finally paying off. The scope of business is large in this area, and we aim to scale up in the coming months and years.

On the toys front we have received orders from global players and started ramping up capacities in this business, our clients have plans to source significantly from India and we have essentially limitless opportunities to grow with that. Under the automotive and engineering segment, we have started commercializing the orders received and expect ramp up in the current year.

During FY22, the company has raised funds, we've started utilizing it to expand our core business of home furnishings, also utilizing it towards toys and healthcare. We are planning



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capex spend of approximately INR 200 crore over the next two years out of which more than half of the spend will be towards pharma part of the business.

I'm further happy to share three additional developments. We are now listed on the NSE. We've also added Mr. Samaresh Parida and Mrs. Sangeeta Singh as Independent Directors to our Board. Their profiles are part of our presentation have been uploaded. Request you to go through that. We've also appointed Mr. Ashish Somani as the new CFO of the company. Ashish is the qualified Chartered Accountant in Law Graduate and has extensive experience working with various MNCs across the manufacturing segment. This is all from my side.

I shall now hand over the call to Mr. Sanjay Shah our Chief Strategy Officer to give you the operating and the financial highlights. Thank you very much. And over to you, Sanjay.

Sanjay Shah:

Thank you, Amit. Good afternoon, everyone. I shall share with you the highlights of our operational and financial performance for Q4 and FY22 following which we will be happy to respond to your queries. During the quarter we processed 5,562 tonnes of polymer as against 4,356 tonnes in Q4 FY21, an increase of 28% year on year. For FY22 we processed a total of 19,474 tonnes of polymers as against 14,602 tonnes in FY21, an increase of 33% year on year. Machine utilization rate was 53% in quarter Four) FY22 and 60% in FY22. Exports during FY22 stood at 76% of total revenue as compared to 74% in the same period last year.

Now, we shall speak on the stand-alone results highlight. Revenues stood at INR 152.6 crore during Q4 FY22 as compared to INR 109.8 crore during Q4 FY21 revenue growth of 39%. This is our highest ever quarterly sales or even highest ever yearly sale. For FY22 revenues stood at INR 565.9 crore as compared INR 360.6 crore during FY21, the growth of 57%. EBITDA stood at INR 21.6 crore during Q4 FY22 as compared to INR 22.1 crore during Q4 FY21.

EBITDA margins stood at 14.1% for Q4 FY22, margin in Q4 were under pressure due to increases in input prices especially on the raw material front polymers, packaging, steel. These costs will be passed on in the coming two quarters to customers based on the arrangements which we have. For FY22 EBITDA stood at INR 89.8 crore as compared to INR 62.1 crore during FY21, a growth of 45%. PAT stood at INR 7.4 crore during Q4 FY22 as compared to INR 9.7 crore during Q4 FY21, PAT margin stood at 4.8% for Q4 FY22. Our FY22 PAT stood at INR 35.1 crore as compared to INR 22 crore during FY21, a growth of 60%.

Cash PAT for Q4 FY22 was reported at INR 14.3 crore as compared to INR 15.3 crore during Q4 FY21. For FY22 cash PAT stood at INR 61.6 crore versus INR 41.5 crore in FY21. During FY22 working capital has increased mainly due to increase in inventory levels. And this is mainly on account of logistics issues which we are seeing and we have taken a conscious decision of having a little higher inventory but till the situation improves, we would basically bring down this inventory level. This is all from our side.

Now we can open the floor for Q&A. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is from the line of Aarti Sharma from PCK Investments, please go ahead.

Aarti, your line is in the talk mode, please go ahead. As there's no response from Aarti, we'll move on to the next question that is from the line of Ankit Agarwal from ARC Capital, please go ahead.

Ankit Agarwal:

Yes, thanks for the opportunity. So, I have a question on the home furnishing business. So, any development on the addition of customer in home furnishing? And any particular geography those customers are from?



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Sanjay Shah: So, we basically are shipping to our home furnishing customer, and we supply them across the globe. And we continue to grow the business with this customer.

Ankit Agarwal: Okay. And so, the next question is like, with additional contribution from pharma and toys, coming into the business, what kind of overall margin improvement that we could see in the next financial year?

Sanjay Shah: Ankit, we typically don't give out margin guidance. What we have said in the past is as the business grows, and as you see volume growth, you will basically see margins improving on an overall basis, whether it's at an EBITDA level or PAT level, or even at an ROCE, ROE



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- Aman Vij:** Yes, I was saying in Toys segment last year, we had an order book and visibility of \$10 million, which I think we would have achieved if not executed that. So, for this year, have we gotten similar orders or even increased orders given they would have seen our work and maybe given us more orders?
- Sanjay Shah:** Yes, we're already executing two projects for some customers, three projects for the two customers we have, and we are in discussions for the new projects with them.
- Aman Vij:** So, for FY23, do we see growth on that FY22, whatever sale we did in Toys, do we see a good healthy growth on that high base also?
- Sanjay Shah:** It would be too early for me to comment on that. But I think the numbers, which we did in FY22, we would probably do similar numbers in FY23.
- Amit Sanghvi:** And we also have projects under execution, which is why it's a little early for us to comment.
- Aman Vij:** But at least we'll maintain that number, if not improve it? Sir? Yes. Final question is on the Pens division. So, sir had talked about maybe for FY23, we are targeting around 3 million own IP pens. So, if you can talk about the same? Are we still sticking to that guidance? And we have also talked about maybe achieving 20 million own IP pens in the next two, three years. So, if you can talk about from which quarter can we see own IP pens scaling? As well as are we dependent on one or two customer to achieve that 20 million pen sales or they are maybe 10 customers so that at least if one customer is not performing, we have backup plan? If you can talk about the pen division?
- Amit Sanghvi:** numbers given earlier still holds true. We are in the process of supplying; we are already supplying in the current year and the numbers are increasing. So, I think we're well on track for the current year, you always have potential a couple of months spillover, which is, you know, expected in such a business, and then getting -- scaling up to 20 million, it's not a two-year thing, but more like three, between three and four years. But yes, it is with more than a couple of customers. So, we have a healthy pipeline of customers, given that we're servicing the generic market here, which means we cannot simply rely on one customer. So, there is a healthy pipeline of customers, which leads us to believe this volume build up.
- Moderator:** Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.
- Nikhil Jain:** Hello? Yes, thank you for the opportunity. I just wanted to ask one question on the healthcare side. So, specifically with respect to the pen division. So, are we working with some of these key customers who have already kind of filed and are litigating in the US market? So, can you just give us a qualitative indication on those or are our customers yet to file and obviously, then you have to get approval and other things?
- Amit Sanghvi:** You know, specific information is highly confidential. But, of course, some of our customers have filed, some are in the process of filing, but almost all the supplies and that we would have made for clinical batches would essentially either be filed or be close to filed.
- Nikhil Jain:** Yes. See, the point is that it's not only pen, which is a critical component in that kind of business. So, there are other facets, so where the companies may kind of get into problems or may have a change of plans, because of delays and other things so, that's where I was just trying to understand because we know at least the top three ones have already kind of filed and are litigating. And some are settled also.
- Nikhil Jain:** Yes. No, what I was just trying to say, sir, was that in this kind of business, obviously, the filings sir, can get delayed due to various reasons. And hence that was the reason for the



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question if you're already, let's say working with companies that have already filed, that was it. So, my second question actually was related to

- Sanjay Shah:** Probably just add to what Amit said, so we have -- on some molecules, we have multiple customers on the same molecule. So, we would basically, there will be somebody who would be doing the filings is what I would say.
- Nikhil Jain:** Okay. That's good to know. Yes. Okay. And any guidance sir, that you want to give for FY23 or it's as you said, too early to do that?
- Sanjay Shah:** I think we would refrain from giving of guidance. But we would still stand there whatever we have said at the end of FY21 that we look at -- if you look at it, three to five year period, we basically look at somewhere between 25% to 30% CAGR.
- Nikhil Jain:** Okay. And on the margin side, we expect whatever has happened in the last two quarters, so would be normalized over the course of the year, let's say in FY23., hopefully?
- Sanjay Shah:** Yes, Nikhil. Yes, we do expect margins to go back to normal levels. .
- Moderator:** Thank you. The next question is from the line of Yash Bajaj from Lucky Investment Managers Private Limited, please go ahead.
- Yash Bajaj:** Sir, just one question I had. What did the home furnishings and pharma business in FY22?
- Sanjay Shah:** Yash, we don't report individual numbers. But we've seen growth across, all of our business segments in FY22.
- Yash Bajaj:** Okay. So, in line with the overall growth of the company, would be a fair way to understand the growth of respective?
- Sanjay Shah:** There will be different businesses, which will have seen different levels of growth. Toys sees a very small level in FY21 so Toys are seeing -- we've done fairly decent numbers on toys. We have seen similar growth on our pharma business, we've seen growth on our FMCG business, we've seen growth on our home furnishings business, or even other business , but then every business will have varied levels of growth.
- Yash Bajaj:** Or just to understand, either the home -- like the home furnishing business and the pharma business would have grown on a faster pace as compared to the other two businesses? Would that be correct understanding?
- Sanjay Shah:** As I said, probably this year Toys has grown -- from a percentage level, Toys have seen.
- Amit Sanghvi:** Yash, as a percentage, yes, but as a value, of course, you know, the baseline are very different for the home furnishings and the other two.
- Moderator:** Thank you. The next question is in the line of Aman Vij from Astute Investment Management, please go ahead.
- Aman Vij:** Yes, thank you for the opportunity again. Sir, on the carbon steel business, if you can talk about the same we were facing some issues, are the issues resolved and do we expect full utilization in FY23?



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Sanjay Shah: So, as we speak, we have already commercialized all the products and we are looking at ramp up. So, we should be very close to the utilization level during the year. I'm not sure whether we'll see the same overall utilization numbers being at full for the whole year but it'll be ramped up to full before the end of the year.

Aman Vij: And do we need to add any products or those fixed prices product which we have is enough to be utilized and achieve turnover in carbon steel?

Sanjay Shah: The numbers that we talked about, these six products which we do, the volumes on that will basically meet with the numbers which we talked about and controlling them we get to the utilization levels which we enter.

Aman Vij: Sure, sir. On the number of SKUs for IKEA as well as the number of employers, if you can give the current number?

Sanjay Shah: On the home furnishing front, we basically have added lot of SKUs so we have probable currently at about close to 60 plus SKUs on the home furnishings customer on the plastic side. Aman, I lost you on your second part of the question.

Aman Vij: The employee count currently?

Sanjay Shah: So, the number of employees varies depending on the requirements in terms of contract workers and everything. But it will be somewhere in the region of about anything between 18 and 2200 people on a month-by-month basis. Everything put together blue collar, white collar on the whole, on the roll.

Aman Vij: Yes, because the presentation talks about the same 1500 number, I'm not sure it is updated properly and even

Sanjay Shah: No, the presentation could not have been updated. So that's the reason for that, you're right. Thanks for pointing this out, we'll have that correction done. Thanks Aman for pointing that out.

Aman Vij: Sure, sir. So, for FY23 among these three, four segments, where do we see the strongest growth and where maybe there will be little flattish kind of growth among these three, four, five segments we have?

Sanjay Shah: So, we will see growth in home furnishings, we will see growth on carbon steel, we will see growth on pharma, we will probably remain at a flattish level or with some growth on the toys because we did large project last year, we are still working. And then we wanted to see how that business evolves, but then we are looking at building up the pipeline for next year on that, we will see growth on some of our other segments also. So, automotive, some of these businesses which we do we will see from a percentage level will see some growth.

But overall, on that segment business is pretty small. So, I would say we will probably see growth, the different percentage level growth but we'll see growth across all segments. A couple of things which you need to take into account as we started the new plastic facility end of September. So, we basically had six months of revenue where we had a container issues. So that facility will be running for the whole year. So that's something that will lead to growth coming in from there.

Similarly, we are looking at the better ramp up on the carbon steel business as well as what Amit talked about in terms of whatever we're doing at the pharma part of it in terms of commercialization in pens. So, these are key areas where we will see from a value perspective, growth coming from these three areas.



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- Aman Vij:** That helps. On the customer addition front, if you can talk about what was the new customer added in FY22 as well as any big customers who are, we are in engagement and maybe they are big customer where we can then ramp up our?
- Sanjay Shah:** So, Aman, on some of these cases, we would be bound by NDA where we will not be able to reveal customers. But we are in the -- we have added I would say some large names on the pharma front. And we've also added couple of names on the toys front where we have done ramp up in everything with these customers. So, we have been adding customers and we will be looking at adding more customers. But what we are also looking at is growing with our existing customers.
- Aman Vij:** Just one clarification. On toys, there are like three big giants and we are engaged with only two as of now. Are we talking with the third person also or are there smaller such customers available in the toy sector?
- Sanjay Shah:** We currently do with two customers as you rightly said, we are in discussions with three or four other players also in this market.
- Aman Vij:** Final question from my side, sir. There was some selling from the Bharat Sanghvi's family. You can talk about; are they actively involved in the business anymore or they are?
- Sanjay Shah:** No, Bharatbhai has never been -- Bharatbhai has been placed in Canada. So, he's not even involved in the business right from inception. So, Bharat and his family have been based there. This was something which if you want it -- Amit, you want to talk about it, probably you can talk about it?
- Amit Sanghvi:** So, the family has a bit of a health condition and which is why Bharatkaka -- my uncle wanted to you know, basically relinquish his holding. Of course, some of the holding was kindly gifted by him to my father and some was relinquished.
- Aman Vij:** Sure, sir. That's it. This is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Aarti Sharma from PCK Investments, please go ahead.
- Aarti Sharma:** Thank you sir, for the opportunity. My first question is with respect to toys business. How many SKUs do we have with respect to Spin Masters and Hasbro?
- Sanjay Shah:** We currently do have around six SKUs for our customers, typically wont name those customers. We currently do six SKUs for them.
- Aarti Sharma:** Okay. So, is there a year that we have started supply to Hasbro. So how is the feedback from the customers and what kind of repeat orders should we expect from existing customers?
- Sanjay Shah:** So, Aarti, I think the feedback has been overall good. In fact, we did one of the largest products out of India last year, that was a global launch which happened from India for business. So, we are in discussions with them to see how we can grow the business further.
- Aarti Sharma:** Okay, that was helpful. And the last question from my end is what is the competitive edge as compared to other Indian suppliers for the toy business?
- Sanjay Shah:** I think what Shaily brings to the table is a unique set of skills in terms of understanding of complex manufacturing, assembly, ability to manage high volume production, which is a very, very important thing. And a team which basically understands molding, molds, and decoration



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of various things, and ability to manage logistics. So, that's what we bring on the table. And that I think is going to be there for competitive advantage.

- Moderator:** Thank you. The next question is from the line of Nikhil from PIA, please go ahead.
- Nikhil:** Yes. Hi, thank you for the opportunity. My first question is around when you report these utilization bridge as according for your capacity, how is this calculated because for Q4 FY21 and Q1 FY22 you had reported 56% capacity utilization, while the volume in Q4 FY21 was 4,356 and in Q1 FY22 it was 4,093.
- Sanjay Shah:** So, there are two things. One is when we look at capacity utilization, we basically base capacity utilization of the number of machines which we have. We have added machines last year. We basically commercialized the new facility in September, we added machines for toys in quarter four of last year. So, every quarter we have been adding to our capacity. So, the capacity utilization what also needs to be looked at what's been added and that we could look at that it.
- Nikhil:** That is understandable. But when the volumes processed is lower than the previous quarter, and it may have added more capacity, the capacity utilization should be lower than the previous quarter?
- Sanjay Shah:** No. Again, it depends on the product, which we do. So, lot of our machines are fungible, and a lot of it will depend on the type of products which we do.
- Nikhil:** Got it. So, it's like the chemical business. And one more question is did we have -- do we have any competitors in Russia or Ukraine and probably because of which there are new opportunities that are emerging?
- Sanjay Shah:** We have not come across any opportunities as of now, as we speak now. But we will be evaluating if there are some opportunities, yes.
- Moderator:** Thank you. The next question is from the line of Yash Bajaj from Lucky Investment Managers Private Limited, please go ahead.
- Yash Bajaj:** Hi, sir. Yes, I just wanted to understand the rationale behind the INR 200 crore capex which we are planning for the next two years and especially towards the pharma segment? Is it like a new customer addition or new orders from existing customers? How's it like?
- Sanjay Shah:** So, Yash, we have talked about multiple pens and pen platforms which we're looking at commercializing to get commercial and then we're looking at commercializing. And our customers are doing the filing with these pens. So, we see a ramp up on this business where we know they have a clear path in terms of growth. If we have to meet that growth numbers, we would need to make these investments. If these investments are not made and the plant is not ready, we will not be able to ship to customers.
- Moderator:** Thank you. The next question is from the line of Viraj Shah from Shah Investments, please go ahead.
- Viraj Shah:** Thank you for the opportunity. So, sir, I have a question on carbon steel business, how's the margin profile in the carbon steel business as compared to plastic business? Hello.
- Sanjay Shah:** Viraj, when you look at from a margin profile, once we get to full utilization level, we will have similar or little better margins from carbon steel as compared to overall margin.



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- Viraj Shah:** And sir, are we planning to diversify our customer base in this segment anytime soon?
- Sanjay Shah:** We'll look at doing it, but not in the near future. Once you get the full ramp up, satisfy the requirement of this customer then we will look at it.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management, please go ahead.
- Aman Vij:** Yes, sir. One question on the gross margin side. So, we used to do 40% plus gross margin three, four quarters back. Now, every quarter it is reducing. So, if you can explain how long does it take to pass on? Because if it was two quarters, then we had faced in Q1 and Q2 also gross margin pressure, but till Q4 the pressure was even increased. So, if you can talk about are there particular segments where the lag of passing is more, and in some segments, we can quickly pass on if you can explain the margin?
- Sanjay Shah:** Sure. So, Aman, there are -- with different customers, we have different pass through, it could vary from a quarter to six months. And the reason why you are seeing this being continue is, if you were to look at quarter one, quarter two of last year, quarter one had seen huge spike in raw material where that got passed on by end of quarter two, quarter three. Similarly, end of quarter three and quarter four, because of Russia and Ukraine, we've seen fuel is moving up and because of that input price is going up, packaging price is going up, steel prices going up.
- The second thing which impacted was the dollar rate, whereas the import material, it was also impacted by the dollar rate. So, both of these things put together impacted in quarter four. That will get passed on to customers as we speak, when we look at quarter one and quarter two. So that will get negated. If we don't see increases in raw material prices in quarter one, quarter two then by the end of quarter two, we should then get back to normalized levels.
- Aman Vij:** And sir, normalized number is it 40% or is it now 36%, 37%, what is the normalized gross margin for our business?
- Sanjay Shah:** Aman, I would not want to get into that, because a lot of it depends on the mix of the products which we do.
- Aman Vij:** Okay. But do you think Q4 is the if further prices doesn't increase Q4 is the lowest 34% gross margin and there is only outside to this number?
- Sanjay Shah:** Yes, I think I would agree with you on that.
- Moderator:** Thank you. The next question is from the line of Ashay Jain from Jain Capital. Please go ahead.
- Ashay Jain:** Thanks for the opportunity. Couple of questions on healthcare business. Firstly, with whom will be competing in UK business? So, will our clients be our competitors?
- Sanjay Shah:** Could you repeat your question, please?
- Ashay Jain:** Hello?
- Sanjay Shah:** Your voice is breaking a little bit.
- Ashay Jain:** On healthcare business, with whom we will be competing in UK IP business? And will our clients be our competitors?



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- Amit Sanghvi:** Our clients are not our competitors, we will primarily compete with companies like Ypsomed, Owen Mumford, SHL, Nomura these are, you know, , these are a few, five or six players prominent in the industry for offering injection system platforms.
- Ashay Jain:** Okay. Understood. And lastly, or so we've acquired an IP for pen injector as well as finalized contract for the same. Just wanted to understand what is the further scope of business to them?
- Amit Sanghvi:** I mean, when we create platforms, platforms are suited for multiple molecules. And on those multiple molecules, we also have multiple customers. So, the scope is quite large as we keep modifying the platforms to adapt newer molecules, we increase the scope of our offerings substantially.
- Moderator:** Ladies and gentlemen, that was the last question. I'm sorry, we have one other question in queue, that is from the line of Kunal from Carmelian Asset Management. Please go ahead.
- Kunal:** Hi, thank you for the opportunity. So, I have two question particularly for the toys business. So, toys, business, whatever little I understand, is a very complicated business in the sense that there are multiple parts that has to be made. Also, the frequency of I mean, it keeps changing. It's not like a home furnishing business, or, for that matter, appliances business where things stay constant. But at the same time, China was a very big player in toys, right? So, how do we see the scalability of this particular business for us in the sense that different from what we have been doing?
- Sanjay Shah:** So, Kunal you are right. Toys is a business which needs new products added every year otherwise, the lifecycle on toys is not what is there on the home furnishings business. And there are -- yes you are right, a number of components which are there so, large project which we did last year 126 plastic components. The one which we're doing right now has 176 plastic components. So, we are doing fairly complex projects on very large projects.
- We are in discussions with customers to scale this business up. We see a lot of potential on this. Especially what you said your customers looking at shipping out of China to India, so we see a lot of potential there. But it would take -- and it's slowly evolving. So, we are working with our customers and seeing how we can grow that business.
- Kunal:** So, what I'm trying to understand is you know, the lifecycle of a product in toys, how that stand in comparison to what we have right now. The second is obviously there's business, but how do we scale it up? You know, I mean, I'm just trying to understand I am pretty sure there is no layers of business opportunity available, business opportunity is there.
- Sanjay Shah:** So, what we're looking at is so, some toys which are lifecycle is somewhere between one to two years, there are some toys which are evergreen toys which have a lifecycle of five years, 10 years, 15 years, which are typically games, and those type of products. But we'd like to look at a balance of some products, where you can have these running on a regular basis on a year-on-year basis. And then every quarter or every six months, we basically do some launch of new products in everything. So, we will be working on a strategy with the customer on something on these lines.
- Kunal:** So right now, basically, we have a mix of products, which will have a life cycle of one or two years at the same time, we have a product which is got a lifecycle longer than that, is that fair understanding as of now?
- Sanjay Shah:** Yes.



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- Kunal:** Okay. And just one further step on this, I mean, how long it takes to get one product approved by the vendor, for whom we are manufacturing the same? It's a six-month duration or a nine-month duration, or how does that work?
- Sanjay Shah:** Depending on the product, but once you start to develop, it's typically a six-month process.
- Kunal:** Okay. And I believe that we don't develop, we just try to do what they say or we are given a prototype to us?
- Sanjay Shah:** Yes, but then we get involved with the customer when the mold is being developed. So, from that perspective, we would be involved at the time of the mold development.
- Kunal:** Okay. And just trying to understand what portion of our facility presently would be dedicated, specifically for toys, I mean, with all the facilities that we have, I'm pretty sure the facilities would not be fungible, right? So, what percentage?
- Sanjay Shah:** Facilities are fungible across businesses.
- Kunal:** Even for pharma sir, the facilities are fungible, I mean the pharma one can be used.
- Sanjay Shah:** The pharma facility can be used for manufacturing home furnishing The pharma facility, the classic green new manufacturing facility.
- Amit Sanghvi:** It's very expensive to manufacture other products in the pharma facility, because as a factory, we have to maintain compliances, regardless of what we run there. So, if we're running clips, in the pharma facility, we still have to maintain all the compliances, it will run in a clean room, there's higher electricity consumption because of the climate conditions and humidity conditions. So, it's fungible but we -- there isn't a need to manufacture other products in the pharma facility right now.
- Kunal:** No, sir, just more from the point of view that the toy facility which we have dedicated probably we can use with other products as well, more from that perspective.
- Amit Sanghvi:** We are. As and when we have capacity peaks on certain products in a given month or a given quarter, we do end up using cross capacity. So, it's not 100% dedicated capacity.
- Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for the closing comments.
- Amit Sanghvi:** Thank you, everyone for joining the call. We hope that we've 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 evening.
- Sanjay Shah:** Thank you, everybody. Thanks.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Shaily Engineering Plastics Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.