Shaily Engineering Plastics Limited

Q2FY27 Result Update | **Engineered Plastics**

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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Building a global innovation-led engineering and manufacturing partner

Shaily Engineering reported a strong set of results, with revenue growing 24% YoY to ₹3,195 mn, EBITDA increasing 22% to ₹971 mn and PAT rising 20% to ₹613 mn. Gross margins improved 75 bps YoY to 60%, while EBITDA margins declined 51 bps to 30.4%. EBITDA growth lagged revenue growth due to higher employee costs and other operating expenses. Further, PAT growth was lower than PBT growth (29% YoY), primarily due to a higher effective tax rate of 27.5% compared with 22% in Q2 FY26. Machine utilisation improved by 470 bps YoY to 52.5%, indicating gradual improvement in capacity absorption.

Growth was primarily driven by the healthcare segment, which recorded a 78% YoY increase in revenue to ₹1,751 mn. Within healthcare, the Indian business grew 113% YoY to ₹1,653 mn, while the UK business declined 54% to ₹98 mn. The consumer segment declined 14% YoY to ₹1,159 mn, impacted by weaker home-furnishing demand across Europe and the US. The industrial segment delivered 23% YoY growth, with revenue reaching ₹286 mn.

On the business front, Shaily launched Shaily AI Toby Reusable, a reusable auto-injector platform for GLP-1 therapies, and signed two new contracts for IP-led semaglutide pen platforms, strengthening its healthcare growth pipeline. Capacity expansion is underway, with an additional 25 mn pens being added, while the Abu Dhabi facility is expected to provide a further 75 mn pens of capacity. In the consumer segment, the company received business confirmation for a new product from an existing home-furnishing customer. The industrial segment also secured business confirmations for seven new power-tool products and new knobs from an appliance customer.

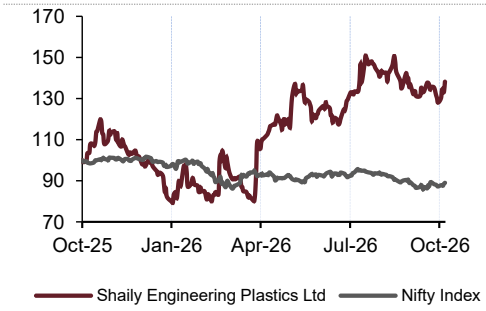
Overall, strong healthcare growth, new product wins and capacity expansion continue to support the company's growth outlook. However, the weak demand environment in the consumer segment remains a key monitorable.

Rating	TP (Rs)	Up/Dn (%)
HOLD	**3,631**	**15**

Market Data		
Current price	**Rs**	**3,170**
Market Cap (Rs.Bn)	(Rs Bn)	146
Market Cap (US$ Mn)	(US$ Mn)	1,531
Face Value	Rs	2
52 Weeks High/Low	Rs	3615.2 / 1660
Average Daily Volume	('000)	70
BSE Code		501423
Bloomberg		SHEP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Promoters	41.00	41.09
FII DII	33.11	35.57
Public	25.89	23.34
Total	**100.00**	**100.00**

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net sales	6,439	7,868	9,907	12,493	16,199
EBIDTA	1,169	1,761	2,799	3,831	5,240
Margins (%)	18.2%	22.4%	28.3%	30.7%	32.3%
Adjusted net profit	573	931	1,699	2,367	3,341
EPS (Rs)	12.5	20.3	36.9	51.5	72.6
P/E (x)	255	157	86	62	44
EV/EBITDA (x)	126	84	53	38	28
RoCE (%)	12.17%	18.21%	25.90%	29.19%	31.46%
RoE (%)	12.48%	17.01%	23.70%	24.95%	26.13%

Source: Company, Dalal & Broacha Research

Vinil Shah
+91 22 67141486
vinil.shah@dalal-broacha.com

Quarterly Result Summary

Particulars (INR in mn)	Q2 FY27	Q2 FY26	YoY%	Q1 FY27	QoQ%
Revenue from operations	**3,195**	**2,567**	**24%**	**2,807**	**14%**
Other Income	47	23	107%	3	1788%
Total Income	**3,243**	**2,589**	**25%**	**2,809**	**15%**
Cost of Goods Sold	1,277	1,045	22%	1,218	5%
Employee Benefit Expense	348	263	32%	328	6%
Power and Fuel Cost	85	88	-3%	75	14%
Other Expenses	514	377	36%	356	45%
Total Expenses	**2,224**	**1,773**	**25%**	**1,976**	**13%**
EBITDA	**971**	**793**	**22%**	**831**	**17%**
Depreciation Expense	143	120	19%	140	2%
EBIT	**829**	**673**	**23%**	**690**	**20%**
Finance Cost	30	39	**-23%**	33	**-9%**
Profit Before Tax (PBT)	**846**	**657**	**29%**	**659**	**28%**
Tax Expense	233	145	61%	179	30%
Net Profit (Reported)	**613**	**512**	**20%**	**480**	**28%**
EPS	**13.3**	**11.1**	**20%**	**10.4**	**28%**
Margins			**Changes in bps**		**Changes in bps**
Gross Margins	60.0%	59.3%	75	56.6%	345
EBITDA Margins	30.4%	30.9%	-51	29.6%	81
PAT Margins	18.9%	19.8%	-89	17.1%	181
Tax Rate	27.5%	22.0%	554	27.2%	35
Other Operational Matrix			**Changes in bps**		**Changes in bps**
COGS as % of Sales	40%	41%	-75	43%	-345
EBE as % of Sales	10.9%	10.3%	64	11.7%	-77
P&F as % of Sales	2.7%	3.4%	-76	2.7%	-1
OE as % of Sales	16.1%	14.7%	138	12.7%	342

Source: Company, Dalal & Broacha Research

Concall KTA's

1. Healthcare Segment (55% of Revenue)

- **Performance & Growth:** Revenue stood at ₹175 cr (+78% YoY); H1 revenue grew 81% YoY to ₹318 cr. Growth was driven by GLP-1 pens, alongside steady insulin volumes.

  Q2 volumes stood at 10.4 mn devices vs. 9 mn in Q1; H1 volumes were ~19.4 mn.

  Realisation improved to ~₹168/device from ₹158 in Q1, driven by a shift from low-value insulin contract manufacturing towards higher-value GLP-1 pens.

  GLP-1 to insulin mix is expected to reach ~70:30 by year-end. Insulin business is being deprioritised temporarily and is expected to return to growth in FY28 as capacity frees up.

- **Market Position:** Shaily is effectively the sole supplier to generic semaglutide in Canada (100% share as per management).
  Customers have received approvals in Brazil, with supplies also being made to smaller geographies.

  First-mover opportunity in Turkey and Mexico; no commercialisation timeline indicated.
  Already supplying 6–7 mn auto-injectors annually in the Middle East.

- **Capacity Expansion:** Second 25 mn semaglutide (Neo) line is installed and entering qualification.
  Commercial supplies are expected from December 2026, subject to successful qualification.
  Abu Dhabi facility with 75 mn pen capacity is on track for completion by end-FY28.
  New Products & Pipeline:

- **Toby Reusable:** Reusable 2-step auto-injector platform, ~80% developed. Launched at CPHI; company is seeking a partner for co-development. Targeted at innovator pharma and not expected to cannibalise existing products. Four pods fit into the pack size of one disposable auto-injector, reducing cold-chain costs to ~20–25%.

  Toby Emergency Use: Two active customers; clinical batches expected by end-CY27 and earliest commercialisation by end-CY28.

- **Mira (On-body Injector):** Close to finalising a customer. Clinical batches expected ~14 months thereafter. Offers significantly higher margins than GLP-1 pens but requires substantial upfront capex and development costs.

- **iApplicator:** Qualification completed; supplies expected by end-Q3/early Q4 FY27.

- Oncology opportunity: Management sees potential for auto-injectors in oncology biologics, including Keytruda generics, as therapies increasingly shift from IV infusion to subcutaneous delivery.

- **Pricing & Margins:** Price erosion is already factored into long-term contracts, while raw material inflation is passed through through an index-linked mechanism.

- Management remains confident of sustaining margins, with operating leverage yet to kick in at current utilisation levels of ~52%.

2. Consumer Segment (36% of Revenue)

Revenue stood at ₹116 cr (-14% YoY), flat QoQ. H1 revenue declined 19% YoY to ₹231 cr.

Business has stabilised over the last two quarters, although home-furnishing demand in Europe and the US remains weak.

Management expects the segment to remain flat in FY27; FY28 growth will depend on geopolitical developments and inflation in key markets.

New business confirmation received for a product from an existing customer, along with higher volumes for an existing product from another customer.

Higher freight and polymer costs due to West Asia developments. Polymer cost increases are passed on with a lag of 2–4 months, depending on the customer.

3. Industrial Segment (9% of Revenue)

Revenue stood at ₹29 cr (+23% YoY), driven by automotive, appliances and consumer electronics.

New business confirmations received for seven power-tool products and new appliance knobs.

Consumer Electronics: Commercial supplies have commenced. The company now has two customers and is scaling up five components, with volumes expected to ramp up during Q3–Q4 FY27. Initial capex estimated at ~₹100 cr.

Semiconductor Packaging: Trial production expected in Q3 FY27, followed by commercial shipments from Q4 FY27. Products include trays, carrier tapes and wafer boxes, manufactured in partnership with a Korean player serving 150+ global customers. Business model involves contract manufacturing and exports to Korea and Taiwan.

Semiconductor packaging is expected to generate margins higher than the consumer and industrial segments. Initial capacity is small and will be scaled up based on demand.

Consumer electronics and semiconductor packaging together represent a significant scale-up opportunity over the next 36 months.

4. Consolidated Outlook, Guidance & Other Updates

- **Volume Guidance:** Management is confident of exceeding FY27 volume guidance of 36 mn devices. Revised guidance will be provided in Q3 as ramp-up progresses. FY28 volume target is ~50 mn devices (+/-15%), implying a range of ~42–58 mn. This is an indicative target, not formal guidance, as launches have taken place in only three markets so far.
- **Margins & Costs:** Gross margin improved to 60% (+70 bps YoY), supported by pricing discipline, procurement efficiencies and favourable product mix.
- Other expenses increased sharply QoQ. Management attributed this to a combination of one-off costs and business mix changes but did not quantify the one-off component.
- **Subsidiaries:** H1 subsidiary EBITDA loss of ~₹7 cr was partly due to revenue recognition delays pending customer confirmations. Management expects subsidiaries to turn EBITDA and PAT positive for FY27.
- **Innovator Pharma Opportunity:** Management is confident of signing 1–2 innovator pharma customers by end-CY27.

Revenue contribution, however, is expected only after 3–4 years, as the company typically enters at Phase 2/3 of a new molecule.

Valuation and Outlook:

We estimate **Revenue/EBITDA/PAT CAGR of 28%/37%/40% over FY26–FY28E**, supported by strong growth in healthcare, increasing contribution from high-value products and the ramp-up of Consumer Electronics and Semiconductor opportunities. Expanding production capabilities and a growing portfolio of IP-led products should provide sufficient headroom for both revenue growth and margin expansion over the medium term.

At the current market price of ₹3,170, the stock trades at ~44x FY28E P/E. Given the strong earnings growth trajectory and multiple emerging growth opportunities, we maintain a HOLD rating and value the stock at 50x FY28E EPS, arriving at a Target Price of ₹3,631, implying ~15% upside.

FINANCIALS

P&L (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net Sales	6,439	7,868	9,907	12,493	16,199
Total Operating Expenses	3,701	4,158	4,262	5,497	7,047
Employee Cost	573	804	1,097	1,316	1,645
Power and Fuel	292	315	330	412	567
Other Expenses	703	830	1,420	1,437	1,701
Operating Profit	1,169	1,761	2,799	3,831	5,240
Depreciation	357	421	492	583	702
PBIT	813	1,339	2,307	3,248	4,538
Other income	65	23	78	84	92
Interest	179	169	159	176	176
PBT (Before exceptional)	698	1,193	2,226	3,156	4,454
PBT (post exceptional)	698	1,193	2,226	3,156	4,454
Provision for tax	126	262	527	789	1,114
Reported PAT	573	931	1,699	2,367	3,341

Source: Company, Dalal & Broacha Research

Balance Sheet (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Equity capital	92	92	92	92	92
Reserves	4,500	5,385	7,075	9,396	12,691
Net worth	**4,592**	**5,477**	**7,167**	**9,488**	**12,783**
Non Current Liabilites	941	678	689	573	579
Current Liabilites	2,292	3,171	3,612	4,606	5,276
TOTAL LIABILITIES	**7,825**	**9,326**	**11,467**	**14,667**	**18,637**
Non Current Assets	**5,153**	**5,470**	**6,966**	**8,051**	**9,404**
Tangible + Intangible Assets	4,938	5,189	6,489	7,557	8,865
Non Current Investments	0	0	-	-	-
Income Tax Asset	27	38	53	27	27
Other Financial Assets	5	5	5	5	5
Other Non Current Assets	183	239	420	461	508
Current Assets	**2,672**	**3,856**	**4,501**	**6,617**	**9,233**
Inventories	836	1,378	1,508	1,882	2,441
Trade Receivables	1,174	1,717	2,148	2,567	2,885
Cash and Bank Balances	264	231	252	1,486	3,124
Short Term Loans and Advance	64	3	4	4	4
Other Current Assets	335	526	590	678	779
TOTAL ASSETS	**7,825**	**9,326**	**11,467**	**14,667**	**18,637**

Source: Company, Dalal & Broacha Research

Cash flow statement (Rs in mn)	FY24	FY25	FY26	FY27E	FY28E
Cash flow from operating activities					
Profit before tax	698	1,193	2,226	3,156	4,454
Depreciation & Amortization	357	421	492	583	702
Interest expenses	179	169	159	176	176
Operating profit before working capital change	1,234	1,784	2,877	3,915	5,332
Working capital adjustment	(208)	(781)	(693)	(112)	(641)
Gross cash generated from operations	1,026	1,002	2,184	3,803	4,691
Direct taxes paid	(88)	(262)	(527)	(789)	(1,114)
Others	(16)	360	600	214	292
Cash generated from operations	923	1,101	2,257	3,228	3,870
Cash flow from investing activities					
Capex	(950)	(672)	(1,792)	(1,651)	(2,010)
Others					
Cash generated from investment activities	(938)	(713)	(1,847)	(1,651)	(2,010)
Cash flow from financing activities					
Proceeds from issue of share	-	-	-	-	-
Share premium received on issue of shares	-	-	-	-	-
Borrowings/ (Repayments)	210	(208)	(108)	(120)	-
Interest paid	(159)	(169)	(159)	(176)	(176)
Dividend paid	-	(46)	(90)	(46)	(46)
Others	(5)	-		-	-
Cash generated from financing activities	46	(419)	(393)	(342)	(222)
Net cash increase/ (decrease)	31	(31)	17	1,234	1,638

Source: Company, Dalal & Broacha Research

Ratios	FY24	FY25	FY26	FY27E	FY28E
OPM	18.2%	22.4%	28.3%	30.7%	32.3%
NPM	8.8%	11.8%	17.0%	18.8%	20.5%
Tax Rate	18.0%	21.9%	23.7%	25.0%	25.0%
Growth Ratios (%)					
Net Sales	6.1%	22.2%	25.9%	26.1%	29.7%
Operating Profit	27.3%	50.6%	59.0%	36.9%	36.8%
PBIT	38.7%	64.8%	72.2%	40.8%	39.7%
PAT	63.0%	62.6%	82.4%	39.3%	41.1%
Per Share (Rs.)					
Net Earnings (EPS)	12.5	20.3	36.9	51.5	72.6
Dividend	1.0	1.0	1.0	1.0	1.0
Book Value	100.1	119.4	156.2	206.9	278.7
Free Cash Flow	-0.3	4.7	5.1	17.2	20.3
Valuation Ratios					
P/E(x)	254.5	156.5	85.8	61.6	43.6
P/B(x)	31.7	26.5	20.3	15.3	11.4
EV/EBIDTA(x)	126.2	83.8	52.6	38.1	27.5
Div. Yield(%)	0.0	0.0	0.0	0.0	0.0
FCFF Yield(%)	0.0	0.1	0.2	0.5	0.6
Return Ratios (%)					
ROE	12.5%	17.0%	23.7%	24.9%	26.1%
ROCE	12.2%	18.2%	25.9%	29.2%	31.5%
ROIC	10.4%	14.7%	20.3%	25.3%	30.1%

Source: Company, Dalal & Broacha Research

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com