"Shaily Engineering Plastics Limited
Q1 FY2019 Earnings Conference Call"

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MANAGEMENT: **MR. AMIT SANGHVI – MANAGING DIRECTOR - SHAILY ENGINEERING PLASTICS LIMITED**
MR. SANJAY SHAH - CHIEF STRATEGY OFFICER - SHAILY ENGINEERING PLASTICS LIMITED
MR. PRATIK R. SHAH – STRATEGIC GROWTH ADVISORS

Moderator: Ladies and gentlemen good day and welcome to the Shaily Engineering Plastics Limited Q1 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Sanghvi, Managing Director – Shaily Engineering Plastics Limited. Thank you and over to you Mr. Sanghvi!

Amit Sanghvi: Thank you very much. Good morning and a warm welcome to all the participants to the post result earnings call of Shaily Engineering Plastics. I hope you have had a look at our investor presentation that has been uploaded on our website and the Stock Exchange.

We are very happy to start the year with good performance with our topline growing by 25% and bottomline also growing by 29%. We continue to carry forward our growth momentum in FY2019 and are optimistic of a good year ahead.

We are extremely happy to announce that we have received one more business confirmation from the home Furnishings major during the quarter. This order is for the manufacture and supply of carbon steel furniture. This is the first time Shaily has received an order for this product category.

Currently the order is for six products within the segment and which will increase in the future. The total expected Phase I revenue for this business stands at Rs. 100 Crores and the total capex required for the same shall be Rs. 40 Crores.

We plan to set up a new facility for the manufacturing of these products at a new land that we have acquired in Halol, Gujarat. We anticipate production to start from August 2019 and sales to start from September 2019.

This new product category represents a large business potential and opens up a new avenue for us. We have been associated with the home furnishings major for close to 14 years now. Our quality, timely delivery and constant innovation have helped us to gain incremental business with them and this new order signifies the trust the home furnishing major places in Shaily's capability and ability to deliver unique and cost effective products.

We are witnessing increased order inflows from this customer and foresee further increases as a result of their own expansion in new markets.

We have also gained some very good traction on the CRC front. We have commercialized supplies of our CRCs to US Pharma Company with the first order being fulfilled this month of 5,00,000 closures.

We have also received an order from an Indian pharma major for supply of another variant of our CRC for which we anticipate supply to start in Q4 of FY2019. We have also started consistent commercial supplies of our 3 piece eye dropper packaging through a large Indian pharma with consistent volumes being around 7,00,000 sets per month.

Let me give you an update on our expansion plans. We have acquired 17 acres of land at Halol Gujarat and currently are under the process of completing the formalities for the transfer of land. Looking at the business opportunities on hand we have acquired this land to meet our expansion requirements. In terms of long-term debt, further for the purpose of funding our expansion plan we have arranged for long-term debt financing of Rs.100 Crores at very attractive terms.

At Shaily it is our endeavor to leverage our manufacturing capabilities and to engage with large clients and continue the growth momentum.

With this, I shall now hand over the call to Sanjay, our Chief Strategy Officer to give you the financial highlights of the quarter. Thank you.

Sanjay Shah: Thanks Amit. Good morning everyone. I shall share with you all the highlights of our operational and financial performance during Q1 FY2019 following which we will be happy to respond to your queries.

During the quarter, we processed 3,547 tonnes of polymer as against 2,642 tonnes in the same quarter last year increasing 34% year-on-year. Machine utilization rate stood at ~72% during Q1 FY2019 against ~74% in Q1 FY2018.

Exports during Q1 FY2019 stood at 76% of total revenue as compared to 72% in the same period last year. For Q1 FY2019, our revenues stood at 89 Crores showing a year-on-year growth of 25% from 71 Crores in the same quarter last year.

This quarter we had some labor shortages at our facility, had there not been any shortage of labor the revenue growth could have been higher. EBITDA for Q1 of FY2019 is at 14 Crores versus 12 Crores in Q1 FY2018 accounting for 15% growth year-on-year, EBITDA margin stood at 15.7% in Q1 FY2019.

The margins have been soft on account of lag effect due to increase in raw material prices because of increase in crude and FX in Q1.. Increase in employee expenses, which is a combination of inflation and addition of some senior people in the team in Q1. Increase in power and fuel cost and lower absorption of fixed cost on account of lower revenue as I mentioned earlier.

While the passthrough of raw Material price increase is different with different clients based on the contract terms, with stability in forex we expect EBITDA margins to revert back to earlier levels in the quarters to come. Net profit for Q1 FY2019 is at 5.7 Crores up 29% year-on-year with a margin of 6.4%, margins have improved over Q1 FY2018 by ~21 basis points over Q1FY18

Cash PAT for Q1 FY2019 is at 9.5 Crores as against 8.3 Crores in Q1 FY2018 witnessing a growth of 14% year-on-year.

Our capex spend for Q1 FY2019 was 4.5 Crores which was primarily towards expansion in our EOU and Rania facility. With the order flows and business opportunities we have a fair visibility to achieve 80-85% of the 2020 target..

That is all from our side and now we can open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Good morning. Congratulations for good set of numbers. Sir my question pertains to the Q-on-Q performance of Q1 FY2019 versus Q4 FY2018, the volume growth has been tepid we have clocked around 3,500 versus 3,300 metric tonnes. Generally, I have been checking the quarterly performance and the last three years we have not seen such kind of performance while in Q-on-Q the performance was tepid and historically we have not done such kind of performance, so was there any product mix change or can you throw some light on what has actually happened?

Amit Sanghvi: Sanjay Bhai mentioned during his speech that we had shortage of labour. We had an order book, which is higher than Q4 of FY2018; yes, we were not able to execute some of it. Couple of reasons for that is not just labour shortage, we also had significant power issues in the last quarter, upgradation of infrastructure has been done, we hope that by the end of Q2 the problem should be resolved, which means that we should see a better Q3 and Q4.

Hitesh Taunk: So, aligned with the same question Sir I just wanted to ask you on our revenue breakup, does the furnishing major still contribute the same of around 55% or it has declined or it has increased?

Sanjay Shah: See if you were to look at it on a quarter-on-quarter basis we have said we have increased from 55% to 60%, so it is basically in the same range in the current quarter also, because the issues we are talking about have affected all orders right, not just order from one particular customer.

Hitesh Taunk: So, is it fair to estimate that overall contribution from the furnishing major would be around 55% to 60% for the FY2019?

Amit Sanghvi: Yes.

Hitesh Taunk: Sir my next question pertains to the employee cost, which has increased significantly during the quarter though Sanjay Sir mentioned that there was a kind of new additions in there, Sir is it right to estimate that this is the new base for the employee cost for the year?

Amit Sanghvi: The employee cost should even out as we are basically planning for the growth. We have entered into carbon steel, meaning that we have also done some hiring on that business front, to execute the project and to run the business when we commercialize it . Therefore, as we grow the percentage in terms of an overall employee cost to revenue should come down to normalized levels as the revenue comes in.

Hitesh Taunk: Sir apart from that can you throw some light about your new carbon steel project what is that exactly and what kind of product is this associated with the metal. I Initially we worked on a vision like converting from the metal to plastic segment. Now again I am hearing like carbon steel, I just wanted to know whether this again we are going into the metal segment or is it a kind of extension to the plastic segment, what is exactly carbon steel?

Amit Sanghvi: Carbon steel is basically mild steel,so when we look at the business, for us it is a strategic enhancement and expansion with one of our key customers where we have created this relationship based on performance, based on delivery, based on quality and where we see significant growth in even other segment all the metal to plastic. So, it is just an expansion of the overall relationship with the customer and the kind of products we intend to manufacture are going to be basically cabinets, coffee tables, racks and shelves. So, it has nothing to do with conversion, the conversion that we have done are all the metal to plastic conversions, we have done in the automotive segment where the fuel regulations basically give us the edge in terms of doing that, this is completely different, this is on the home furnishing side and has no bearing on the other segments.

Hitesh Taunk: So, the margin of this product would be similar to our other products margin which we are serving to home furnishing major or is it lower or higher, what kind of margin this product would have.

Amit Sanghvi: I think we shall not comment on this because as a policy we do not share segment wise & order wise details.

Hitesh Taunk: Okay not an issue, sir my last question on the from the tax rate perspective. During the quarter we have a kind of lower tax rate so will it be the same rate for the year or is there any change in the tax rate, sir if you can throw some light.

Sanjay Shah: Hitesh this year we will see a fall in the rates at about 25% tax rate, which will be an effective tax rate of 29.8% that is what we have provided.

Hitesh Taunk: If I have a few questions more I will come in the queue. Thank you.

Moderator: Thank you. We take the next question from the line of Kalpesh Gothi from Valentis Advisors. Please go ahead.

Kalpesh Gothi: Sir wanted to know due to labor issue and power issue, can you quantify the loss of revenue during the quarter.

Amit Sanghvi: Upwards of 10%.

Kalpesh Gothi: So the problem will continue in Q2.

Amit Sanghvi: They will continue in Q2, with respect to the power issue the change that we need to do is get a dedicated line from the main transformer to our battery it is going to take sometime.

Kalpesh Gothi: Yes, so basically it is upgradation right.

Amit Sanghvi: Yes.

Kalpesh Gothi: And sir one more question you said we due to increase in raw material prices there is a lack of the increment pass on the cost so during the quarter what kind of margin we have lost in terms of basis point if you can specify in RM cost.

Amit Sanghvi: Probably it would be very difficult for us to give this number, but typically if you want to look at it you have seen an FX movement of about 5.5% to 6% in the last quarter, you have seen crude also spiking because of global issues where crude basically impacts raw material prices. So the raw material prices have gone up and then you take the effect basically get a much higher entry which will we get an increase from the customers in Q2 and Q3 so that is where we have got that impact. The 145 bps that you have seen against Q1 of FY2017 I think we could have shown a marginal increase had all these issues not been there.

Kalpesh Gothi: Okay because of this the revenue is also less.

Amit Sanghvi: Yes.

Kalpesh Gothi: So, sir because of this raw material issue will the margins be under pressure in Q2.

Amit Sanghvi: Margin pressure will remain in on Q2 until we get some of these issues sorted. For us it is a chain reaction, loss of along with labor shortage and loss of power in Q2 we also have have the transport strike, so these have impacted because we cannot stop production yet we have been holding up shipping containers. So, some of these issues are going to impact us in Q2.

Kalpesh Gothi: Okay thank you sir fair enough.

Moderator: Thank you very much. We take the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Can you tell us the total project cost for this Rs. 100 Crores order in carbon steel.

Sanjay Shah: The project cost is Rs. 40 Crores, the revenues projected for the phase I is Rs. 100 Crores.

Ravi Naredi: And what will be the capital allocation in this project, any equity dilution or all debt will be there or if you can tell something about it.

Sanjay Shah: Ravi it would be partially funded by debt and partially by internal accruals so we are not looking at raising any fresh equity.

Ravi Naredi: And this being a big investment for the project for one customer, is there any risk.

Amit Sanghvi: The risk in our business will be deliver the product as long as we do that we do not see any risk from a customer perspective.

Ravi Naredi: And what steps we are taking to overcome labor shortage..

Amit Sanghvi: Couple of things we have done is we have started supplies from areas slightly away from our facility, where we are getting labour. We are also looking at hiring or doing campus placement directly and couple of more initiatives we have taken. But, at the end of it all we are going to have to spread across the facility the product loss that we have. So, it is going to be a combination strategy that eventually takes us out of this issue.

Ravi Naredi: Thank you sir.

Moderator: Thank you. We take the next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Sir I have three questions, first question is on the carbon steel product that we are going to manufacture for the home furnishing major, so if you can throw a bit of light on what kind of different capabilities that we need in order to execute this project and enter into new area because all the while we have been working on thermoplastic, so in terms of tooling. in terms of machining, in terms of manpower skill set , what was our thought process in terms of getting into an area which is completely new to us, if you can throw a bit of light on that.

Amit Sanghvi: From a manufacturing process perspective it is completely different then what we do although all these products have similar equipment instead of plastic here, we that you will be using metal sheets which come in coil form. The change is that you do the forming, forming is basically bending, after bending you do welding after welding you do powder coating, after that we do assembly and packaging and then we ship it out, which from a profit perspective it is an industry which is quite mature. In fact in India there is lots of talent available especially in Gujarat when it comes to steel fabrication and as such we do not see a technical hurdle. I think the hurdle is when we are setting up a greenfield in an area where we do not have experience. To mitigate that, we have hired some very good talent, the individual heading operations and projects for this business has about 28 years of experience. He was instrumental in setting up a BPL Sanyo plant in India and after that, he has worked at Scheider's electrics, APW facility for about 11 years. In terms of technology, we do not really see that much of a challenge, it is not rocket science, it is just punching, welding and powder coating. Now from a strategic perspective why did we get into this, like I mentioned before it is kind of an extension or expansion of our relationship, the relationship that we have build overall these years where there is confidence, we have trust in the customer and the customer has a lot of trust in us, this is how it has started, and it turned into projects which were mutually beneficial for both us and the customer.

Dhwanil Desai: So sir where does the risk lie in this because we are setting up a facility for them at a very large investment and if things go the other way what kind of risk that we will incur and any risk mitigation measures which have been worked out without getting into integrities ofcourse if you can throw some light on it.

Amit Sanghvi: So,, out of the 40 Crores that we are investing basically, about 15- 16 Crores will go in actual equipment. The land, building, the utility, the electrification, auxiliaries the tool room can all be used for any of our plastic businesses as well. So, the risk is essentially a total investment of Rs.15 Crores. Now the equipments shall be brand new equipments and even if we were to sell it at a fairly discounted price say at a discount of 25% or 30%. We see a risk of only Rs. 5 Crores in this we do not see a risk higher than Rs. 5 Crores and Shaily is more than capable of taking that risk.

Dhwanil Desai: Sir my next question is on the CRC, I think we are kind of seeing some kind of a pickup in that segment after a lot of hard work on that area. So how do we see that panning out in next couple of years are we kind of on course of our target or our aspiration to reach these 60, 70, 80 Crores couple of years from now or do you think that the scenario has changed materially since we put up the plant and that is not a right number to look at now?

Amit Sanghvi: No, our plant has an installed capacity for CRC of about Rs. 50 Crores at the moment, or Rs.55 Crores somewhere in that range it depends on how material prices also change. Having said that, look we have started finally consistently supplying on month-on-month basis, so we are seeing good traction, we know that lot of our new customers have also filed their new drug applications with our packaging. It is difficult again for me to give you a specific timeline, but we certainly see increased utilization over FY2019 and that further will increase in FY2020.

Dhwanil Desai: Okay that was very helpful Sir. Thanks a lot that is it from my side.

Moderator: Thank you. We take the next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir the difference between the volume growth and the revenue growth is just a function of pricing or there is a mix also involved in it?

Sanjay Shah: Pritesh, it will be a mix of both..

Pritesh Chheda: And generally, what is the lag with which you get your price increases.

Amit Sanghvi: Quarter.

Pritesh Chheda: A quarter, so we should see the revenue growth in excess of volume growth coming back from the next quarter.

Amit Sanghvi: See, the revenue growth has been impacted on account of not just the raw material prices,it also got hampered on account of operational issues when it comes to labor and power, so I mentioned already that Q2 we are going to continue to have some of the issue, because our new power line will not get installed until the end of the quarter.

Pritesh Chheda: That is to do with volume.

Amit Sanghvi: Right.

Pritesh Chheda: But in a inflationary scenario which you see right now on polymer prices are higher on a Y-o-Y basis, you should have a revenue growth which should be in excess of your volume growth right.

Sanjay Shah: See, Pritesh what also will happen is if you were to look at Q4, you look at Q1 and you look at Q2 right now you are seeing scenario where FX is moving, crude is also moving and prices also move up on a quarter on quarter basis.so there will be a lag effect.

Amit Sanghvi: On the market yes there is a lag effect, but on the revenue growth your hypothesis is correct.

Pritesh Chheda: My second question is any updates on the pharma vertical incrementally?

Amit Sanghvi: We mentioned on the call that we have commercialized supplies of CRC at 5,00,000 caps per month to a US Pharma Company. We have also got an order for another variant so there is a slight modification to this cap from an Indian Pharma major, which we will start supplies in Q4 of FY2019. And we have also started supplying 7,00,000 3P eye dropper packaging on a monthly basis to a large Indian pharma company.

Pritesh Chheda: So, what should be your most likely CRC sales for this year FY2019?

Amit Sanghvi: We are anticipating somewhere between Rs. 15-18 Crores, but again this is our forecast at the ..moment.

Pritesh Chheda: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Manjeet Buaria from Solidarity Investment. Please go ahead.

Manjeet Buaria: Thanks for taking my questions. I have three of them. The first one is how does one think about as your business scales with the home furnishing major how do discounts work from their end.

So, does this major want a certain kind of margin ploughed back to them as they give you more and more business and what implication does that have on return on capital with this specific customer like does it trend down as the scale goes up?

Amit Sanghvi: Manjeet can you repeat your question?

Manjeet Buaria: I wanted to understand as your business scales up with the home furnishings major, do they expect you to earn lower margins over a period of time because they are giving you much more volumes and does that result a lower return on capital with them as the business scales up overtime?

Sanjay Shah: I would not agree to that, one is as the business scales up you basically have advantages on volume and sourcing which should basically translate into better returns, but we would not bring into returns in terms of numbers and everything.

Amit Sanghvi: But very simple answer the customer has no such thoughts that as business grows the margins should shrink, I think from the customers perspective it is really about being globally competitive and making sure that performance parameters operationally have met at all times. So as long as we continue to do that and we have always done that through innovation and process not through changes in margin or product profile, so as we continue to innovate our processes we should be able to maintain similar margins as we grow with the customer as well.

Manjeet Buaria: My second question was, I was going through the annual report and I noticse the operating cash flow for the year shrank and it was driven mainly by increase in receivables, inventories and then the other financial assets which was basically that lease receivable. So, I just want to get a sense, it just dropped to around 5 Crores if I am not mistaken in FY2018. How does this pan out across the next one or two years?

Sanjay Shah: Manjeet, in the Q4 call we had said that yes debtors have increased and if I were to look at June debtors are coming back to normal. So, we expect debtors to get normalized during the course of the year, probably you should see when we put in the September balance sheet, if you think specifically we were to see substantial improvement on debtors. Second was on tax refund which is basically pertaining to GST, there again there has been substantial headway made in Q1 where we have got substantial refunds in Q1 and I expect some more refunds to coming in Q2 so we should see that improvements also.

Manjeet Buaria: And the inventory how do we think about it?

Sanjay Shah: Inventory also we are basically working towards reducing that. Internally the sourcing team and the planning team are basically working on a plan to reduce them and we expect inventory improvements to happen. Basically, when you look at the whole year you should see favorable inventory improvements also.

Manjeet Buaria: My final question is just wanted to understand what percent of our raw material is imported if you can give that?

Sanjay Shah: Manjeet roughly you could probably take it as 50% imported, 50% domestic. Even domestic is linked to crude so and lot of these cases basically will be linked to global crude prices and global indices so you basically be exposed to FX.

Manjeet Buaria: Thank you, appreciates your time.

Moderator: Thank you. We take the next question from the line of Akhil Parekh from Elara Capital. Please go ahead.

Akhil Parekh: My first question is on the 100-million target that we have been mentioning on every call, but this time I think we have kind of refrained from mentioning it, so is there any change in it?

Amit Sanghvi: No, there is no change. We continue to have a very strong pipeline and as long as we execute our pipeline we should be fine.

Akhil Parekh: Okay so FY2020 somewhere around 100 million target we would be there?

Amit Sanghvi: Yes, if rupee goes to 70 do not expect 700 Crores but the target remains.

Akhil Parekh: 65 was the benchmark if I remember correctly.

Amit Sanghvi: We said target by about Rs. 650 Crores.

Akhil Parekh: Apart from the home furnishing major is there any other big growth lever that we see in next three years?

Amit Sanghvi: I think you have to wait for another couple of quarters for us to give you any insight, but we have been working on some very large projects and businesses, maybe it is not the right time to give you guys an update right now.

Akhil Parekh: Sir now since we have move to carbon steel furniture are there any other opportunity like we are exploring with this home furnishings major because they are strong on the wooden furniture side. Do we see moving into that direction, if and when the opportunity comes from the furnishing major?

Amit Sanghvi: At the moment we are not exploring any other material areas, we have to start the facility and put industrialized products in the steel category, after that there might be an opportunity to look at other segments as well although we have not really had a conversation on that.

Akhil Parekh: Okay but we are open for any opportunity…

Amit Sanghvi: In general, we Shaily personally are looking at other categories, which we will be venturing into during the later part of this year.

Akhil Parekh: And couple of last questions, in terms of this 100 Cr of target, which we are giving so this should be spread over how many years.

Amit Sanghvi: It is expected annual revenue of a product that are part of phase I so it all depends on how we start and how we ramp it up, so on the revenue we will only be able to give you a really good update in FY2020.

Akhil Parekh: In FY2020 as when they are expecting it to start to commercialize it.

Amit Sanghvi: We start sales from start of September 2019.

Akhil Parekh: Alright thank you so much and best of luck.

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

Ritesh Shah: Amit in the prior question you indicated new product lines which you expect later in this year, is it something related to polymer processing itself or are we exploring other commodities over here.

Amit Sanghvi: I am sorry I did not get you.

Sanjay Shah: What he asked was you could be looking at some other categories with the home furnishing major or other areas with the client.

Amit Sanghvi: Not with the home furnishing we are looking another categories in plastics.

Ritesh Shah: In plastics okay. Secondly question for Sanjay Bhai if you could just highlight what are our Capex terms for FY2019 and FY2020 and if you could separately indicate the tooling Capex as well.

Sanjay Shah: Ritesh as Amit indicated earlier on the carbon steel we are looking at investing about 40 Crores which would get invested between now and Q2 of FY2020 because that is when we look at starting the plant. In terms of the Capex in the current plastic facility we are probably looking at about 30 to 35 Crores of Capex in our plastic facility and about 15 Crores of capex for tooling in the current year.

Ritesh Shah: And will this quantum be the same for next year as well.

Sanjay Shah: Sorry Ritesh just one more line. This is in addition to the land, which we have purchased. Can you repeat your question now?

Ritesh Shah: Yes so 15 Crores of tooling Capex is it only for FY2019, should one expect a similar quantum in FY2020 as well.

Sanjay Shah: I am talking about FY2019 right now.

Amit Sanghvi: 15 Crores will be this year but of the other Capex Sanjay Bhai mentioned, will be spread across half in FY2019 and half in FY2020.

Ritesh Shah: So, 40 Crores you indicated it was still in Q2 FY2020 and Rs. 30 to 35 Crores it is in FY2019 and FY2020 and 15 Crores is for FY2019 right.

Amit Sanghvi: Correct.

Ritesh Shah: That helps sir thank you so much.

Moderator: Thank you. We take the next question from the line of Balvinder Singh from Canara HSBC Insurance. Please go ahead.

Balvinder Singh: Firstly, if you recall last quarter you had stated that you were in discussion for supplying some LED light components so what is the update on that and how big can this opportunity be.

Amit Sanghvi: We are supplying on a monthly basis, consistent supplies and volumes are increasing I do not really have an exact percentage increase at the moment. I am very sorry.

Sanjay Shah: And yes as you had mentioned like the other customers with whom we are in discussion so is getting through a development phase right now and once this tooling gets developed we will basically be looking at supplying components.

Balvinder Singh: And any color as to what can be the opportunity size.

Sanjay Shah: Balvinder it is little too premature to get into it right now, probably once we start that we will probably talk about it and the good thing is the projections which we have received from each of these customers is huge but we want to take it with a pinch of salt.

Balvinder Singh: Secondly if you can give an update on your hedging policy as such.

Sanjay Shah: Hedging policy, so we do not hedge because we have exports to a certain extent. Last quarter our exports were rupee denominated so to that extent again we do not need to hedge. Most of our borrowings are also in rupees. I hope that answer your question.

Balvinder Singh: Yes thanks I am done.

Moderator: Thank you. We take the next question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: I have a question on raw material, how much difference we have in polymers, so any or couple of polymers who have significant portion in the raw material basket and what could be that percentage.

Sanjay Shah: See polymers basically you would see polymer prices moving up because of crude as well as on account of currency, so if I understood your question right there will be some polymers which are more volatile, there will be some polymer which are less volatile but then if dollar moves by 6% you would see price increasing in most of these cases by 6% in addition to crude increases which you would see.

Rohit Nagraj: My question was pertaining to maybe we have PE or PP in our basket so which one of these polymers have the largest percentage in the raw material basket so maybe PE accounts were 25%, 30% which is the largest in our overall polymer prices.

Amit Sanghvi: We do use a lot of polypropylene we use a lot of PET we use a lot of PE as well so if you were to look at our raw material basket we process about close to about 90 to 100 different grades of polymers which includes nylon, polycarbonates, polyethylene, polypropylene, etc.. So right from commodity plastics to very high performance engineering plastics.

Rohit Nagraj: And where do we source it from so entirely it source from domestic or part of it is source from foreign

Amit Sanghvi: No, I have mentioned earlier that about 50% of our raw material is directly imported 50% was domestically. Part of it which comes from domestic manufacturers and part of it would be basically again coming from importers..

Rohit Nagraj: Correct me if I am wrong, last year we had about 70% of our exports to different geographies, 70% of our revenues coming from exports.

Amit Sanghvi: Last year we were at 72% and this year we were at about 74%.

Rohit Nagraj: So, if I get the correlation right so we have about 50% of our products raw materials coming from imports and 70% products going as exports, so how is there a natural hedge and so the currency impact ideally should be positive correct because any which ways you are exporting products

Amit Sanghvi: Exports to our largest customers is rupee denominated in exports.

Rohit Nagraj: Fair enough no problem thank you so much.

.**Moderator:** Thank you. Next we take the question from the line of Gaurav Tripathy Individual Investor. Please go ahead.

Gaurav Tripathy: Sir I think most of my questions have been answered. I just wanted to ask like is there any plans to get listed in NSE?

Sanjay Shah : There is a regulation issue, the NSE needs a three-year 100 Crores networth we should basically be complying with that in March 2019 post that we would apply to NSE for that.

Gaurav Tripathy: Thank you Sir.

Moderator: Thank you. We would take the next question from the line of Om Prakash Trivedi Individual Investor. Please go ahead.

Om Prakash Trivedi: My question is mainly on the results because we see a lag only on the bottomline the topline is almost equal to the Q4 of the financial year 2018. So, I just wanted to understand if this is majorly due to the employee expenses which has increased significantly, and will that be a norm or it is just a onetime event, which happened in the last quarter because of the base hike or something so if you could just please give some light on that?

Sanjay Shah : We have two things there. As I mentioned earlier one is there have been inflation increases which has happened in Q1, we have added couple of people at senior level in Q1, as the base moves up on the topline you would see employee expenses getting normalized at normalized percentage level going forward.

Om Prakash Trivedi: Sir I have another question is that on the increasing prices of the crude as we were not able to pass on the impact of the crude to our customer, do we have any risk mitigation plan in place in case crude further inches on the upward journey?

Sanjay Shah: It is not that we were not able to pass on increase, typically in most of our contracts what we have is that we have a lag effect. We probably have the two month or the three months average price for the last quarter we take as the price for this quarter so that price increase is an automatic thing, which will get kicked in but there will be a lag effect which will be there and what we are seeing right now is the impact of that lag effect.

Om Prakash Trivedi: Got it. Thank you Sir. Thanks for your time.

Moderator: Thank you. Ladies and gentlemen this seems to be the last question for today. I would now like to hand the conference over to the management for their closing comments.

Amit Sanghvi: Thank you everyone for joining the call. With the continued long-term association with our clients and robust order pipeline we are confident to continue to deliver superior performance. Thank you very much and we hope that we have been able to answer all your queries. If you require any further information, I request you to get in touch with SGA our Investor Relations Advisors. Thank you once again and have a nice day.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Shaily Engineering Plastic Limited we conclude today’s conference. Thank you all for joining us, you may disconnect your lines now.