“Shaily Engineering Plastics Limited Q3 FY-16 Earnings Conference Call”

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MANAGEMENT: **MR. AMIT SANGHVI-MANAGING DIRECTOR, SHAILY ENGINEERING PLASTICS LIMITED**

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Moderator: Good day ladies and gentlemen and welcome to Shaily Engineering Plastics Limited Q3 FY16 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Sanghvi, Managing Director of Shaily Engineering Plastics Limited. Thank you and over to you sir.

Amit Sanghvi: Thank you. Good morning and a warm welcome to all of you for joining the Quarter 3 earnings call of Shaily. I'm joined by Mr. Sanjay Shah-our CFO and SGA, our Investor Relations Advisors today. I hope you've had a look at our results which has been put up on our website as well as the stock exchange. So for those of you that are joining for the first time, I will just like to introduce the company to you.

Since the very beginning when we started in 1987, we've specialized in manufacturing, high precision components using high-performance Engineering polymers. Our core competence even today is to manufacture the components out of high performance Engineering polymers. Through the years, we have worked with various companies across multiple industry segments such as Home Furnishings, Consumer in which we work with P&G, Unilever; we work with Pepsi, Honeywell in Automotive, Sanofi, Wockhardt, and Sun Pharma in Healthcare space and many others in Engineering like Emerson, Phoenix Mecano, etc.

We would like to share with you that during the quarter we have commercialized manufacturing of our product for Gillette and also expanded our product offering to home furnishing major by commercializing some storage boxes made out of recycled material.

Before we go any further I'd just like to highlight that I will not be able to answer any questions related to IKEA in particular, or mention their name. We have some clauses in our contract which prohibits us from doing so. So I would appreciate when the question and answer session opens up, if you limit your questions to the overall business than IKEA in particular.

Our real strength lies in our capability to offer end-to-end solutions OEMs for any of its requirement. When we say end to end we mean that we can take a concept and idea right from thin air converted into commercialized product, do right from design, prototyping, testing, validations, compliance in case of Healthcare and then on to the final manufacturing of components and assemblies. In our journey of almost three decades we have been successfully partnered with corporate to meet their unique requirements and introduce uniquely engineered plastic components. Most of our relationships with any of our existing customers have continued since the day we started those relationships. Our relationships with GE go back about 17-18 years, with Unilever go back about 20 years, so customers are in with us for the long run.

Progressing to the next level of growth, we have forayed into products which are customized to certain applications which then will be marketed to the OEMs. In 2015 we set up our brand new state of the art Clean Room facility to manufacture child resistant closures and bottles for regulated markets. These products are currently under validations and various stages of validations with pharma customers. We hope to commercialize a few of them starting in next quarter and a few of them over the next year. India being the second largest exporter of generic drugs globally, we see this as a very big opportunity for us to capitalize on.

Maybe just an overall update on the plastic industry for a moment; my father our Executive Chairman recently wrote an article in Polymers Communiqué and this article is also available on our website for anyone that wants to read it. But when we look at the plastics industry in India, it's in very nascent stages compared to the US or China. Our per capita consumption stands at about 10 kg versus 109 kg in the US and 45 KG in China. So purely based on our population and the growing middle class, our per capita plastic consumption is projected to be more than double over the next five years. Now in order to cater this additional demand the plastic processing industry will grow from a current installed capacity of 30 million metric tons to 45 million metric tons per annum by 2020. Bulk of this additional demand is going to be driven by three sectors primarily. We look at packaging, in packaging you'll cover FMCG, you'll cover health care, and you'll cover whole range of food and beverage. You look at infrastructure, in infrastructure you'll cover some parts of Automotive, lot of electrical switch gears etc. and then you look at agriculture. So from a technology perspective let's believe that processes which are primarily focused on implementation of newer technologies which can aid in reduction of power and labor will benefit the most out of this. The two most important priorities for manufacturing should be focus on efficiencies of the current installed capacity as well as workforce. So when we look at the new role of manufacturing in the plastics processing industry, the biggest challenge to overcome is going to be inefficiency whether it is inefficiency in labor, its equipment, lack of system, lack of processes and lack of innovation. So as a company we are focusing on our efforts on ensuring that efficiency levels of our equipment, off our people is as high or improves on a continuous basis. That is all from my side, I will now hand over the phone to Sanjay, our CFO who will take you through the financial performance of the company. Thank you.

Sanjay Shah: Thanks Amit and very good morning to all the participants. I will share highlights of our financial performance following which we would be happy to respond to your queries. To begin with Q3 FY16, company registered revenue of 55.2 crores, year-on-year growth of 20.3% from 45.9 crores in the same quarter last year. EBITDA is at 10.1 crores from 5.8 crores in Q3 of FY 15, growth of 74.1% year-on-year. EBITDA margins were at 18.2% in Q3 of FY 16 from 12.6% in Q3 of FY15, expansion of more than 560 basis points. Profit before tax is 5.7 crores in Q3 of FY16 from 3.1 crores in the same quarter last year the sizable growth of 82.7% year on year. PBT margin is a 10.4% in Q3 of FY16 from 6.8% in Q3 of FY 15, expansion of more than 360 basis points. Net profit for Q3 FY16 is at 3.9 crores from 2.6 crores in Q3 of FY15 Growth of 49.4% year-on-year, net profit margin is at 7% in Q3 of FY16.

Coming to 9M FY16 results; company registered revenue of 171.3 crores, year-on- year growth of 30.8% from 131 crores in the same period last year. EBITDA during 9M FY16 is at Rs. 29.8 crores, growth of 59% year-on-year from 18.7 crores EBITDA margin expanded by 310 basis points to 17.4%. Profit before tax for 9M FY16 is at 17.1 crores, growth of 65.9% year-on-year from Rs. 10 crores in the same period last year. We have witnessed growth in top-line across all segments.

Coming to the new pharma facility; our Class 8 Clean Room Facility at Rania is ready and products are under validation with different pharmaceutical companys. We expect to see tailwinds by the end of the year on this project. This is all from our side; we can now open the floor for Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. First question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: I have two questions; one is basically how this polymer price volatility impacts our revenue? The way the polymer prices are falling down, how frequently you pass that benefit to the customer and similarly also in the case of polymer prices are rising and impact of that on the EBITDA margin? The second question is on the balance sheet, basically what could be the position of debt and cash at the end of this quarter?

Amit Sanghvi: I will answer your first question with respect to polymer prices volatility. With most of our large customers and large accounts, we have raw material neutral contracts which means a polymer price goes down we take an average of a quarter and then prices get reflected in the following quarter, if they increase the same differences passed on to us, so whichever way it goes it balances out. We don't really take a hit on margins almost on account of polymers but revenue does go down if polymer prices continue to go down.

Maulik Patel: Our business is basically if you see this quarter number, our topline growth was approximately around 20% compared to the previous quarter’s growth of around (+) 30% so growth has fallen, is it because of the polymer prices were down significantly in this quarter?

Amit Sanghvi: To be honest polymer prices haven't been down significantly from Q2 to Q3, they have gone down some. Now a little bit of revenue is because of that, some part of the drop in revenue is also seasonality. While it doesn't have a major impact on business, Q3 is when export market is slightly in terms of the spending is over, the spending for Thanksgiving, Christmas, etc., is over so the next big phase of growth comes when it back to school time which means that we will see increase in revenue obviously in Q4. One of the challenges we face a fairly large projects which was supposed to be commercialize in Quarter 3 got delayed by three months and we have just completed commercialization in beginning of January. So we will see that revenue coming in starting now as well.

Maulik Patel: If I look at the gross margin basically that you had that almost expanded by approximately 400 bps on this year-on-year basis, is it because of this change in the product mix or is it because of the polymer prices were falling, probably on a higher rate you are selling to the customer and that benefit has been captured into this quarter probably that will be neutralized into the subsequent quarter?

Amit Sanghvi: As far as polymer prices go, it has a very minimal impact on our margins. As I told you the difference from Q2 to Q3 on polymer prices haven't been significant. It's not like it went from $30 to 20 bucks, it went from $30 to $27 and at the end of the very honest polypropylene has been in short supply so prices haven't really come down significantly and that really doesn't have that much of an impact on our margins. But I think when we started the year and we did our last earnings call, we’ve talked about efficiency which is also what we are talking about in the article that my father has recently published. We focused a lot this year on improving our operational efficiencies and you are seeing some of that impact on the margin expansion.

Maulik Patel: Can you give us the cash and the debt position at the end of the quarter?

Sanjay Shah: Our long-term debt is at about 46 crores which includes repayment which are due in the next 12 months and our working capital debt is at about 42 crores.

Maulik Patel: And the cash on the books?

Sanjay Shah: Cash on the books is again about 26-27 crores of cash on the book.

Moderator: The next question is from the line of Rupal Sethia from Kavya Investments. Please go ahead.

Rupal Sethia: Can you just give me some idea on our capacity utilization currently?

Amit Sanghvi: In Quarter 3 our capacity utilization was about 66%.

Rupal Sethia: And for the YTD, the year to date how it will be?

Amit Sanghvi: YTD is about 75%.

Rupal Sethia: Is it the seasonal trend that we do lower utilization in the second half?

Amit Sanghvi: To be honest there is some seasonality as I answered in the last question. Our utilization has partially dropped because of the delay in projects which means that we have added capacity but it didn't get commercialized until the beginning of January.

Rupal Sethia: How would it be in terms of our CAPEX requirement for the next year or two?

Amit Sanghvi: We have funds to fund that requirement at the moment but essentially would be looking at probably investing. We invest on an average about 30-40 crores.

Sanjay Shah: All of it would get driven by customer projects so it would be dependent on customer projects.

Rupal Sethia: Around 30-40 crores would give an incremental capacity addition of around 20% for us or even larger from our current levels?

Amit Sanghvi: In every rupee invested we can expect the revenue of Rs.2.5 to Rs.3.

Rupal Sethia: In terms of the larger clients that you are seeing entering India especially IKEA and the likes, are we prepared currently to cater to much larger orders going ahead?

Amit Sanghvi: I request you to not mention IKEA in any question but.

Rupal Sethia: I am just saying in reference to larger customers, are we prepared to cater to a much larger order base in case we come through?

Amit Sanghvi: I think my capacity utilization is at roughly 70%-75%, in terms of revenue using our existing capacity we can go as a higher 340-350 crores maybe.

Rupal Sethia: That should suffice in terms of order where we see?

Amit Sanghvi: I don't think capacity enhancements or increase happen for two reasons. One is when you actually out of the capacity and second is when you are doing a new project when your existing capacity doesn't suit that product. As far as our existing capacities go, the growth of any of our large customers will be catered with, that’s not a problem there.

Rupal Sethia: Actually my question was in terms of large company who enters India, they usually have a target in the first few years to kick off with around 10 to 15 stores and then go aggressive in expansion so will we be able to match their speed of growth is what something that I was trying to understand?

Amit Sanghvi: Absolutely.

Rupal Sethia: Lastly I just want to understand one point briefly is, for the next five years how do we see as an investor the kind of visibility do I look at, in terms of our CAGR growth?

Amit Sanghvi: Our vision is stated very clearly that we intend to become a $100 million company by 2020 with the global footprint so that's the growth.

Moderator: The next question is from the line of Saumil Mehta from IDFC Securities. Please go ahead.

Saumil Mehta: With our vision of $100 million, who would be the largest customer? I will refrain from taking the name—but what would be the contribution in terms of revenue, so will it be stable or probably we will see that coming down?

Amit Sanghvi: I see our largest customers still being our largest customer and I probably will also mention that I roughly see the same pie of the business even at $100 million.

Saumil Mehta: Going forward do we plan to I mean will furniture and some of the kitchen appliance be our largest product portfolio or we plan to move into some of the other value-added, maybe some in Healthcare or maybe in packaging if that is a good business in terms of getting better ROCEs and all? How should we look at the product profile changes over the next four or five years?

Amit Sanghvi: We are definitely focused on Healthcare, our largest focus area is essentially Healthcare. There is no the area that we focus more on than Healthcare in terms of the new business development. That said in 4-5 year, what we do today is also highly innovative for any company in India for that matter even most companies in Asia. We are trying to explore that capability to get more innovative drug delivery devices on our portfolio, obviously devices which are of significantly higher volume than what we do today. You will see that change in our product portfolio over the next 4-5 years for sure.

Saumil Mehta: Will it be fair to assume that we will get into better and better value added products?

Amit Sanghvi: Yes.

Saumil Mehta: My next question is with respect to, could you name some of the competitors in same industry in the domestic market. What I'm trying to understand is why should Shaily be the preferred player for some of the largest MNCs as well as domestic?

Amit Sanghvi: This exact question was asked during the last call and I will repeat that answer again. Shaily is unique in the sense that we cater to several industry segments. When we look at competition we have different competitors in each of our segments. FMCG for instance our competitors would be companies like Creative, SSF or Alpla and of course there are larger than us but those are the competition in that area. In Automotive the type of business that we do we don't really compete with anyone. We do very niche business where we're either doing high value added like metal to plastic conversion or molding components which have a very high degree of a critical application in either the engine or some sort of an integral part where we don't really compete with anyone honestly today because such polymers that are used in these components one is they are exotic, they are not known to most injection molding companies and we would not have the know-how to process them. In Healthcare, there are two sides on the Healthcare, one is the drug delivery devices and the other is primary packaging. In devices we compete with companies like Nipro, Phillips Medisize, these are global companies. Rexam, those would be our biggest competitors and then in primary packaging we compete with companies like Shreeji, Triveni, Gopaldas etc.

Saumil Mehta: Are we open to any overseas acquisition for any of the technology because a lot of the competitors have done that in the past to get into Fortune 500 clientele or probably get a better technology how open are we to that idea?

Amit Sanghvi: We are evaluating every avenue to either acquire customer base or to acquire innovative technologies.

Saumil Mehta: But if you can just elaborate do we have anything in the pipeline as of now or it would be too premature to talk about it?

Amit Sanghvi: I can give you a very brief yes or no answer but not elaborate beyond that, so the answer is yes.

Moderator: The next question is from the line of Ankit Gor from Systematix. Please go ahead.

Ankit Gor: My first question is with regards to a Gillette product, if you can bring some more light on the product and revenue expected?

Sanjay Shah: Ankit what we would prefer not to have very specific questions to specific customers.

Amit Sanghvi: It will be very difficult to answer that question without pissing our customers off.

Ankit Gor: Second with regards to volume growth, will you be able to share those volume growth numbers in terms of absolute?

Amit Sanghvi: Gillette has just been commercialized.

Ankit Gor: Not Gillette, I'm talking about at a company level what kind of volume growth we have seen in this quarter.

Amit Sanghvi: Over last year we have seen 20% growth year-on-year, over the last quarter we have seen a drop of about 10%. One of the things I mentioned both in my speech as well as one of the questions that we are at about 66% capacity utilization. At optimal capacity utilization of 85% to 95%, we can do 340 crores in revenue, even at the current polymer prices so obviously polymer prices start going up, revenue will also increase.

Moderator: The next question is from the line of Ram Modi from Prabhudas Liladher. Please go ahead.

Ram Modi: Just wanted to know, we have cash of around 26-27 crores so have we not been using this and we have been actually using working capital so that’s being deployed in the liquid funds continuously till now?

Sanjay Shah: That's been in liquid funds.

Ram Modi: Any primary reason to keep it or is it allocated to some specific purpose?

Sanjay Shah: As Amit said earlier we are evaluating growth opportunities and we would be required to invest going forward so basically we want to utilize this cash for future growth.

Ram Modi: How big is this opportunity in terms of our pharma packaging business where we are still awaiting the approvals from the customers and how much we have invested into that?

Amit Sanghvi: We have invested roughly 29-30 crores.

Ram Modi: and the opportunity is about 75 crores so 2.5x what you said?

Amit Sanghvi: Yeah. So again it depends on business to business that are an overall number on Shaily. In pharma on the packaging the asset to turn would be slightly less. We anticipate somewhere in the range of 1.9 to 2, between 50 and 60 crores in revenue.

Ram Modi: Do we plan to enter in domestic markets, into home furnishings or we will continue to remain a B2B guy because that's where lot of players is there? I know it's fairly competitive it but does Shaily have a plan to enter into those kind of businesses?

Amit Sanghvi: You have to understand and then look at our capabilities actually. We would not be utilizing that potential efficiently to be very honest. Our focus is on B2B not because we cannot enter the domestic market given time and distribution network setup today with e-commerce we can definitely do it but there are just too many people in that space. India as a country has not matured beyond certain product qualities so we would not be the right people to enter that market. You already have all these guys Neelkamal, Prince, All Time.

Ram Modi: That’s why it is competitive intensity which actually it is fairly high.

Amit Sanghvi: It is not our cup of tea to be honest.

Ram Modi: What is the CAPEX done till date in this year?

Sanjay Shah: We have done about 30 crores of CAPEX till date.

Moderator: Next question is from the line of Tanul Shankushal from Vantage Securities. Please go ahead.

Tanul Shankushal: Over the past few years that exports sales have decreased roughly 85% to now 65% in the last financial year. Domestic sales have improved from 15% to 30%-35% now, so could you just throw light on what has been the factors led to this increase in domestic sales for domestic consumption?

Sanjay Shah: If you look at our presentation, Slide #9, for nine months' exports have actually grown from 63% to 75% so I don't know from where you are getting the numbers of export.

Tanul Shankushal: I have actually taken this number from your annual reports only, last 4-5 years. Taking the proportion of the top-line exports sales have gone from 84% to 64% from March '12 to March '15.

Amit Sanghvi: If you're looking at three years from 2012 the reason is that we consolidated in 2012; we exited one of our lowest margin products or negative contributor to the business.

Tanul Shankushal: That was in India or an export product?

Amit Sanghvi: Export product which is why export came down.

Tanul Shankushal: So forward-looking we can assume that it's going to stay like 60-40 or 65-35 domestic sales?

Amit Sanghvi: Yes, our exports will always be larger.

Tanul Shankushal: What are the contributors of domestic consumption is it FMCG, is it auto, could you just throw a light on how has it contributed?

Amit Sanghvi: Its Healthcare, it's FMCG, some Automotive, some Engineering.

Tanul Shankushal: It is given to understand that we operate in a very niche wherein we engage with clients on a very project specific basis. So how do we go about engaging with clients, let's say P&G which has been there for almost more than 10 years now, so for this Gillette project how has the business development team or the marketing team has gone about the whole project initiation, right from understanding product and then coming down and discussing with R&D guys and evaluating the feasibility of the project and then taking over the orders?

Amit Sanghvi: I will not answer specifically on Gillette but any given customer that we work with, first and foremost is important to understand what their needs are. When we go in and we have a chat with the customer, we never say that we can manufacture every product. Of course the answer is we can manufacture every product but there will be certain products that we are good at manufacturing, there will be certain that we are not so cost competitive on. So we first like to understand what it that the customer is looking for is. Most of our selling is done by our historical performance, so one is its absolutely key to maintain your customer satisfied. So we don't slip-up on quality, we don't slip up on deliveries; we ensure our customer is not stocked out. We manage the entire supply chain so it's not that the customer has to call me up and say 'Tuck has not left from your company', etc. we manage the entire supply chain. And you have to execute projects on-time that you have committed to the customer. If you say five days it cannot be six or seven, it has to be 4.5 is okay, it has to be delivered on the fifth day.

Tanul Shankushal: To assume the historical performance has been the barometer for engaging new clients.

Amit Sanghvi: Absolutely and any of our existing customer base will give us business only on our historical performance. We do engage with them, it's not that we don't engage with them and just wait for them to give us a call. Our marketing guys will go and meet customers, say hello obviously, find out if there is any new project they are working on where we can support that project so it's a bit of both.

Tanul Shankushal: Now IKEA was engaged in 2003 if I'm not wrong as a customer.

Amit Sanghvi: We will not answer any questions on IKEA.

Tanul Shankushal: Not IKEA, I'm trying to understand from '89 or '87 to 2003, after acquisition of IKEA as a client what sort of push has IKEA as a brand have you gotten from in terms of your visibility in the market or capabilities in the market?

Amit Sanghvi: We will not be able to answer that question. Our numbers will speak for themselves. They are my bread and butter, I cannot piss them off absolutely.

Moderator: The next question is from the line of Ritesh from Investec Capital. Please go ahead.

Ritesh: You did indicate about $100 million revenue target, it would be good if you could please elaborate on the return ratio profile that you are looking at so it's always good, I am sure that you would be looking that part very closely. So how are we approaching the top line with the bottom line in mind that's what interests me?

Sanjay Shah: We had said this on the last call also that we do not want to put in a margin number. But if you see our margins have been growing in the last two years and we expect margins to grow going forward but we don't want to put in a number in terms of an absolute number what we would be looking at.

Amit Sanghvi: Maybe I can give you some indication, not in terms of the numbers but from a business perspective. Today we have X installed capacity, both in terms of equipment and human resources. This installed capacity is going to take me to an X revenue base which means at that revenue base its optimal utilization of both, human resources and equipment which means that we will have probably as good as margins as can get at that point in time. The next increment to go to 100 million, essentially we are looking at doubling from 340 to about 680. The next increment will also have similar margin but at that the utilization of that capacity which has been installed.

Ritesh: What is the asset turn that we looked at, so for Rs. 650 crores roughly assuming, would we look at the gross block of Rs. 280 crores or Rs. 320 crores?

Sanjay Shah: For every rupee which we invest we have said we should basically be looking at about 2.5 as our turnover so that's the way we look at maths, so if you look at about Rs. 650 crores of top-line you probably work it out batches and you should be able to do that.

Ritesh: 2.5x that's what you said sir.

Moderator: Next question is from the line of Saket Bansal from Dinero Wealth. Please go ahead.

Saket Bansal: We were manufacturing some caps which were awaited for approvals so is it completed?

Amit Sanghvi: Some validations are at the fag-end of completion, some validations are ongoing and this is also mentioned by me during the opening speech. We will see commercialize supplies being made end of this quarter and starting from next financial year.

Moderator: The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: One question on pharma market where you have said that this would be our focus area, so what is that present turnover we get from the pharma and in 4-5 years down the line what would be the mix in the turnover?

Amit Sanghvi: In terms of the percentage while it varies from quarter-to-quarter, on overall basis we get about 20% to 25% from the Healthcare industry.

Ritesh Poladia: And in 4-5 years down the line would the mix be significantly changed or would remain in the almost similar range?

Amit Sanghvi: Our goals are to get it as high as maybe 35%-40% over the next 4-5 years. But Healthcare especially for regulated market is a tough game, it's not easy, a particular product takes 2 to 3 years to commercialize.

Ritesh Poladia: This would be more for a medical device rather than packaging?

Amit Sanghvi: Mix of both.

Moderator: The next question is from the line of Tanul Shankushal from Vantage Securities. Please go ahead.

Tanul Shankushal: I am still trying to understand it from a periphery point of view. We are not into traditional shoot and ship business, so the specific USP of the company happens to be the knowledge of polymer science which happens to come down from Mr. Mahindra Sanghvi, your father, right?

Amit Sanghvi: Right.

Tanul Shankushal: Do we follow any specific hiring process to hire new guys who would be trained and probably be the next line in command for the business?

Amit Sanghvi: Yes, so let me put it this way that we are basically starting in-house training Institute, not an accredited institute or anything but in-house training Institute where we can take either fresh engineers or engineers with couple of years of experience put them through 8 months rigorous program where they get both classroom as well as on-the-job training and then get the best out of the lot.

Tanul Shankushal: I mean then again screening them to get the best of them?

Amit Sanghvi: Yeah exactly because the truth is I don't like using this or stating something like this but the truth is that quality of engineers coming out of our institutions are not the best. We have a lot of them coming out but often times on interviews they fail basic questions that an engineer should know.

Tanul Shankushal: Do we have any tie-ups with institutes like CIPET which are government institutes for plastic Engineering?

Amit Sanghvi: We don't have an official tie up but we hire a lot from CIPET and CIPET sends their students to us for industrial training also.

Tanul Shankushal: What is your net debt position currently?

Sanjay Shah: Our long-term debt is about 46 crores and 42 crores of working capital.

Tanul Shankushal: Could you also tell me the bifurcation of the revenue right now in the third quarter?

Sanjay Shah: In terms of?

Tanul Shankushal: In terms of FMCG.

Sanjay Shah: We do not report individual numbers.

Moderator: Next question is from the line of Niddhi Agarwal from Sharekhan. Please go ahead.

Niddhi Agarwal: Now everything is looking good so what are the challenges you see for the future?

Amit Sanghvi: One could go extreme left and see challenges are there, there is complete chaos in this world so hopefully that will not affect the business but that could be a potential challenge. Real challenges are only to do with inefficiency. We strongly believe that growth will come because our per capita consumption of plastic is very less and India is more competitive than China. So even when we look at export or domestic there is going to be significant growth coming to India especially companies which have strong capability and performance. The problem is always going to be ensuring that you form a proper process, you have proper systems in place, you comply to those systems, and this is how you are going to manufacture the product efficiently. By doing all of this you will our profitable growth otherwise ad-hoc growth is not sustainable.

Niddhi Agarwal: How about the competition because many players are moving into the value-added side of the polymers?

Amit Sanghvi: If I look at our product portfolio, to be very honest I don't know too many people would have such a variety of range of products that goes with the capability. But when you talk about value-add there are various things in value-add. Yes, people would be doing assemblies, people are going to move up the chain that's going to happen similarly we are also moving up the chain, getting into higher-end products where there is even further value add.

Niddhi Agarwal: How are we going to finance our CAPEX, 30-40 crores every year?

Sanjay Shah: Currently the money which we raised from preferential is still lying with us so for the next year's CAPEX would basically use that and then we would also have internal accruals.

Moderator: Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Amit Sanghvi for his closing comments.

Amit Sanghvi: Thank you. I would just like to thank all of you for joining the call. I hope we have been able to respond to your questions adequately. For any further information that you may need, I request you to get in touch with SGA, our Investor Relations Advisors. Thank you again and look forward to speaking with all of you at the end of the next quarter.

Moderator: Thank you very much members of the management. Ladies and gentleman, on behalf of Shaily Engineering Plastics, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.