



“Shaily Engineering Plastics Limited Q2 FY2022 Earnings Conference Call”

November 03, 2021

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SHAILY ENGINEERING PLASTICS LIMITED**



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Moderator:

Ladies and gentlemen good day and welcome to Shaily Engineering Plastics Limited Q2 FY2022 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. The 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Sanghvi, MD, Shaily Engineering Plastics Limited. Thank you and over to you Sir!

Amit Sanghvi:

Thank you. Good afternoon and a warm welcome to all the participants to the post results investor and analyst meet of Shaily Engineering Plastics. I hope you are all keeping safe and healthy. I have with me Mr. Sanjay Shah, our Chief Strategy Officer and SGA our Investor Relation Advisors. I hope you have had a look at our investor presentation that is uploaded on our website as well as the stock exchange.

I am happy to share that we have registered our best quarterly revenue in Q2 FY2022. This is on 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. During September, we commenced commercial operations at our new plastics facility in Halol and we expect further ramp up in production over the coming quarters. I would like to mention that our healthcare businesses especially pen business has potential of doubling the volumes from the current level in a span of the next two to five years.

Similarly, in toys business our client have plan to source significantly from India and we have limitless opportunity to grow with that. We remain very optimistic on growth going forward. Previous year same quarter we had made an announcement that we have established a new wholly owned subsidiary Shaily UK with the sole purpose of creating leading technologies across the pharma business segment that is in-license through our customers either directly or through product manufacture and supply.

The second wave of COVID led to extension of travel restrictions and caused delays in setting up the subsidiary. Today, we have successfully set up our design and research center in the UK and we are looking forward to expand our brand with this subsidiary. I am happy to share with all of you that the board has approved an investment of up to £1 million in Shaily UK.



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This is an addition to the investment of £200,000 made by the company towards equity share capital previously.

We have concluded the fund raise announced in August 2021. We will deploy the funds to capitalize on large opportunities we see within most of our businesses. We have a clear vision of next 18 to 24 months in which we would like to utilize our funds strategically in various parts of our business.

That 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 financial highlights for the Q2 of FY2022.

Sanjay Shah:

Thank you Amit. Good afternoon everyone. I will be sharing with you the highlights of our operational and financial performance of Q2 and H1 FY2022 following which we will be happy to respond to your questions.

During the quarter, we processed 4,497 tonnes as against 3,986 tonnes in Q2 FY2021. In Q1 FY2022, we processed 4,093 tonnes of polymer. For H1 FY2022 we processed a total of 8,591 tonnes of polymer as against 5,801 tonnes in H1 FY2021. Machine utilization rates were 69% in Q2 FY2022 as similar to Q2 FY2021. We have added a lot of machines in the intervening period in the last one year. Exports during H1 FY2022 stood at 79% of total revenue as compared to 69% in the same period last year.

I shall now brief you on the standalone results highlights. Revenue stood at Rs.144.9 Crores in Q2 FY2022 as compared to Rs.98.7 Crores for the same period last year marking a growth of 46.7%. In Q1 FY2022, we booked revenue of Rs.120 Crores marking Q-o-Q growth of 20.6%. On yearly basis, H1 FY2022 revenue stood at Rs.265 Crores versus H1 FY2021 revenue of Rs.145.3 Crores. Commencement of commercial supplies from the new plastic specialties in Halol shall further boost up the revenue for the remaining part of the year.

EBITDA for Q2 FY2022 stood at Rs.23.8 Crores as compared to Rs.17.7 Crores in Q2 FY2021 and Rs.20.2 Crores in Q1 FY2022. EBITDA margins stood at 16.4% in Q2 FY2022 as compared to 17.9% in Q2 FY2021 and 16.8% in Q1 FY2022.

For H1 FY2022, EBITDA stood at Rs.44 Crores with 16.6% EBITDA margin versus Rs.21.1 Crores in H1 FY2021 with EBITDA margin at 14.6%. Net profit stood at Rs. 10.5 Crores for Q2 FY2022 versus Rs.7.3 Crores in Q2 FY2021. Net profit stood at Rs.18.5 Crores in H1FY2022 versus Rs.4.3 Crores in H1FY2021.



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Cash PAT for Q2 FY2022 was reported at Rs.16.9 Crores as compared to Rs.11.9 Crores for the same period last year. For H1 FY2022, cash PAT stood at Rs.30.8 Crores versus Rs.13.4 Crores in H1 FY2021.

Consolidated results includes total asset of Rs.1.92 Crores as at September 30, 2021 total revenue of rupees nil and total net loss of Rs.0.1 Crores from Shaily UK Limited the wholly owned subsidiary of the company. Gross debt at the end of September 30, 2021 including working capital stood at Rs.257 Crores. For the quarter, we incurred capex of Rs.57 Crores. We expect FY2022 capex to be in the region of Rs.80 Crores to Rs.100 Crores.

With this, I would like to summarize on the operational highlights front and let you know that we are working actively towards diversifying our business model and we will see better sales in the quarters to come, that will start ramping up. We will also take this opportunity to wish all of you a very Happy Diwali and a Prosperous New Year. That is all from our side. Now we can open the floor for Q&A.

Moderator: Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Atul Kothari from Progwel Securities. Please go ahead.

Atul Kothari: Thank you for the opportunity. Sir I have a few questions especially on our UK business so I wanted to know should we expect revenue from Shaily UK in FY2022 and as and when the revenue starts flowing into our topline can you explain to us what will be the nature of the revenue?

Amit Sanghvi: We are expecting revenues in FY2022 in Shaily UK and the nature of our revenue is going to be primarily design and onetime platform fee as we call it access to one time platform fee.

Atul Kothari: Sir, basically what kind of investment are we doing in Shaily UK so is it basically on the technology front or on the R&D front or are we setting up a new manufacturing facility?

Sanjay Shah: Atul, we are not setting up a new manufacturing unit. We are setting up a design centre. In terms of the investments what we are making is basically for setting up a design centre and we are looking at acquiring IP's and commercializing them ,so that is what we would be doing there.

Atul Kothari: Thank you very much. That is all from my end.



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- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Congratulations on an improved traction. Sir a couple of questions; one with the improved traction also, there is incrementally a case building up for value mix improvement or product mix improvement yet the margins are lagging so some comments there and when do you see the margins also improving with the revenue traction of the value mix improvement?
- Sanjay Shah:** Pritesh, just a couple of things, when we look at margins if you were to look at the last few quarters or last three quarters you have seen raw material prices being pretty high and the raw material price change with our customers happen with a lag so the lag effect is basically that there is no reduction in the gross margin just by about little over 100 basis points. We expect that gross margins would be back to normalized levels before the end of the quarter. Second is we are now seeing ramp up happening in the carbon steel facility, the steel furniture facility and we are seeing ramping up happening in Q3 on the new plastics facility which will basically lead to an overall reduction in the fixed cost, which will basically lead to margin improvement as we go forward.
- Pritesh Chheda:** Sir the carbon steel unit ramp up itself is now operational and running? I think it was operational and running since Q4 right?
- Amit Sanghvi:** We started the first product in December or we commercialized operations in December and then Q4 and Q1 is when we commercialized all the products and now we are going for ramp up on that facility.
- Pritesh Chheda:** The next question is that now since half year has gone through and we are at about Rs.265 Crores to Rs.270 Crores odd revenues that we have reported and the past call also talked about continuous traction on the Q-o-Q basis on the topline side so what kind of topline do you foresee based on the projects under execution that you have for FY2022 and specifically on the carbon steel projects which was expected to be about Rs.100 Crores odd revenue where would we be on that journey?
- Sanjay Shah:** Pritesh, on the revenue front we will still stick with the number, which we having been communicating through the last two quarters. We see revenue of about Rs.550 Crores to Rs.600 Crores on the current year. Carbon steel Rs.100 Crores is what we would be looking at for FY2023.



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- Pritesh Chheda:** Thank you very much. If I have more questions I will come back so wish you Happy Diwali and Happy New Year. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** My first question is for Sanjay. Sanjay what should one make of working capital days, inventory days have increased and overall cash conversion has actually increased significantly? I think in the last quarter, you had indicated that there was build up of backup of the orders in the toys side so any related update to toys segment as well would be very useful?
- Sanjay Shah:** The working capital days, Ritesh if you were to look at it while there has been a slight build up on working capital days. As we go forward between Q3 and Q4, you will see improvement in working capital days so working capital days on a net level should start coming down. We continue to typically execute the orders, which we have taken on, so on the toy front on a couple of projects we have seen full ramp up happening so on that business if you were to look at it on an individual basis we have got back to normalized levels but there are two or three other projects where we are still at the project stage and we should be basically be completing or starting supplies in Q3 and Q4 so it will take us some time to get back to normalized levels and working capital on those two projects.
- Ritesh Shah:** Would it be possible for you to quantify incremental numbers on toys? I think we had initial orders of around \$7 million to \$8 million has there been a further buildup on that or have you already started shipments ?
- Amit Sanghvi:** We have started shipments in Q1 and Q2 So, Q1 and Q2 both includes the shipments for toys. I think for the current year we will still remain in the range of \$7 million to \$8 million and we are now looking at building up the pipeline for next year, which we think should probably be higher than that.
- Ritesh Shah:** Sure and are there any other companies that we have approached while we can actually increase our vendor base from two to more? That is also something that we had indicated earlier as part of our strategy?
- Sanjay Shah:** Ritesh we are in discussions with two or three other customers, still at initial stage. The first product which we have supplied is just out in the market so we should be getting a much better visibility once people start buying that product. Incidentally, it is a global launch of



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that toy from Shaily and it is a pretty prestigious product so we expect that there will be good visibility for Shaily for the product and we should see traction as we move forward.

Ritesh Shah: That is encouraging to hear and other question is anything specific that you like to add on the pharma side devices, any global launches or how should one look at the pipeline or how are we looking to monetize it from this year or next year if you can provide some color and numbers over that would be great?

Sanjay Shah: I will let probably Amit answer that. Amit you want to take that up.

Amit Sanghvi: We are currently working on a couple of new molecules. We are working on an auto injective for Semaglutide . We have just acquired IP on this product and we will be developing it in Shaily UK as our first official project. In terms of revenue, we are hoping for approval on Teriparatide in the US market with one of our customers, which means that we will be able to start making commercial supplies as early as I would say between half of calendar 2022 and the last quarter of calendar 2022. We anticipate similar traction also on our pens that have been supplied for Liraglutide because these are almost launch on approval products so we anticipate supplies to start between end of 2022 and middle of 2023 for both these products. We are looking at initial volumes of 150,000 on Teriparatide and close to a million on the Liraglutide.

Ritesh Shah: The pipeline looks good right from our execution as well as launch standpoint? The reason I am asking is I think earlier we had indicated that pharma could be as much as home furnishing by say FY2024 or FY2025?

Sanjay Shah: Ritesh, we have not said that. What we have said is over the next three to five years, pharma would basically grow at a level between 2x to 3x from the current level. That is what we have said to correct you out.

Amit Sanghvi: That still looks very promising. I do not think we will change the indication on that because we do anticipate two to three times growth on pharma over the next three to four years.

Ritesh Shah: That helps. Thank you so much.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.



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- Hitesh Taunk:** Thank you for the opportunity. Sir I have two questions. One is we have seen a good traction from the export business? If you see the export revenue and the contribution from the export revenue it has increased significantly from around 70% to 79% in the first half of the FY2022. Just wanted to know whether this contribution is largely increased from the Swedish home furnishing major or is it some other products which are driving this export. The first one is this and the second one is Sir I just want to know some update on the RoDTEP front which is export incentive program whether this is beneficial for us or not? These are the two questions?
- Sanjay Shah:** Hitesh, on the export front the growth is coming in from multiple segments. One is Swedish home furnishing customer as well as on the toys so Q2 we did a major ramp up on toys which saw increase in revenue so you have seen ramp up on overall exports as a percentage of revenue going up on account of that. On RoDTEP unfortunately till date EOU's are not covered in the RoDTEP benefits so while the government has been making noises that we will get covered from April 1, 2022. We do not see clarity in terms of how and at what rate will we be covered. I do not think it will be right for me to comment on that. Once we see some clarity from the government on this in terms of how EOU's will get covered and at under what rate, we would be able to comment on that.
- Hitesh Taunk:** Thank you very much. I will come in the queue and wish you very Happy Diwali.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Thank you Sir for the opportunity. Sir we had earlier indicated about capex plan for the next two years FY2023 as well as FY2024 so do we continue with that? I think it was in the region of around Rs.200 Crores if I am not mistaken so do we continue with that plan or we want to tweak it given that there is higher traction both in pharmaceutical and in toys now and the second question was on the pharma segment specifically? I think we again had indicated that there were some commercial opportunities likely in the next calendar year CY2022 so that also remains on track?
- Sanjay Shah:** I will let Amit add to the second part of your question and then come to the first part later on. Amit you want to talk about the pharma.
- Amit Sanghvi:** The voice was very frail. You mind repeating the question please?



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- Kaushal Shah:** I think in the earlier calls we had indicated about some commercialization happening for pharma device or molecule in the next year and which would lead to ramp up in volumes so in an earlier question I think you did indicate about incremental volumes coming through in the next year so that was related to that particular molecule, which is going to get commercialized in CY2022?
- Amit Sanghvi:** Yes.
- Kaushal Shah:** Got it.
- Sanjay Shah:** Kaushal on the capex front, Broadly I think if you were to break up the investments, we are looking at about Rs.100 Crores to Rs.120 Crores on the pharma part of the business and the balance about Rs.80 Crores to Rs.100 Crores on growing our non-pharma part of the business which will basically be in toys, home furnishings and other segments so that is broadly what we are looking at currently. As we move forward and as we see more opportunities coming up, we could probably revise that. Based on current knowledge which we have, so we are looking at about Rs.200 Crores.
- Kaushal Shah:** This Rs.200 Crores will be spread over two years FY2023 and FY2024?
- Sanjay Shah:** Right. Some of it will be done in FY2022 also so between now to the next 24 months is when we will basically be spending this amount.
- Kaushal Shah:** That helps Sir and best wishes for the New Year.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Sir just wanted to clarify on this capex. Initially you mentioned Rs.60 Crores has been spent for H1 FY2022 and Rs.80 Crores to Rs.100 Crores is for FY2022 and so 200 crores is above that or a part of this Rs.200 Crores is also a part of the FY2022 number?
- Sanjay Shah:** Part of the Rs.200 Crores is part of the FY2022 number, Pritesh and that is what I told Kaushal what we spent from now till March will be basically be part of the Rs.200 Crores which we are spending so.
- Pritesh Chheda:** Rs.150 Crores kind of number comes in the next two years?



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- Sanjay Shah:** If you were to look at from October 2021 onwards for the next 18 to 24 months we will be spending Rs.200 Crores.
- Pritesh Chheda:** Rs.100 Crores run rate?
- Sanjay Shah:** What we spent essentially last quarter was mainly on the new plastic facility which we set up in Halol so last part of that amount was basically in the new plastic facility which we set up in Halol.
- Pritesh Chheda:** That is after the capex we did for the furniture. After that we did the Halol plastic factory right. How much did we spend there?
- Sanjay Shah:** On Halol plastic factory we will end up spending a total of about 60 Crores to 62 Crores.
- Pritesh Chheda:** And at what asset turn?
- Sanjay Shah:** It will be higher than the average asset turn
- Pritesh Chheda:** Sir lastly on the pharma side of business. On the pen side we had certain products already on commercial supply and certain new products to be added this year as well and some to be added next year. Now Amit did mention about the next year, about the two molecules but what is the progress on the existing supplies which we are doing and a new molecule which was on a new platform which was supposed to get commercialized in 2022 itself so any progress there?
- Amit Sanghvi:** The commercialization of the molecules which was submitted back in 2019-2020 is in progress. We are expecting approval over the next six months which means commercial supplies will start in 2022. On the other two molecules where we have made clinical applies we anticipate launch also towards the beginning of 2023 to the middle of 2023 where we see substantial volumes ramping up. The other market that we had supplied into and we actually have open orders for is in the Middle East. There have been quite substantial business development efforts and we have seen the fruits of that effort, so we are in the middle of making supplies to the Middle East. This is all for our platforms; apart from that I do not know if you have seen, Sanofi has launched a product in India recently which is also made by us.



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- Pritesh Chheda:** So on the incremental supply side one of the platforms of one of the molecules is supposed to get commercialized next year and two molecules will get commercialized year after next year right that is how it is.
- Sanjay Shah:** Yes.
- Pritesh Chheda:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Aakash Mehta from Capaz Investment. Please go ahead.
- Aakash Mehta:** Good afternoon. Thank you for taking my question. I had a couple of questions first being on the operational efficiency front, just wanted to know how much we evolved over the past few years in terms of our operational efficiency. Are we reducing our dependency on labour and getting technologically advanced or have we changed our recruitment policy of people if you just throw some light on this area?
- Sanjay Shah:** Aakash the new facility which we have set up for plastics is a fully automated facility. We would be putting up the video of that facility in our website shortly. I think probably before the end of November. I would suggest you guys have a look at it. It will probably give you a sense in terms of the type of plant which we are setting up now.
- Aakash Mehta:** I think that could be helpful going forward and secondly on the capital infusion and borrowing front that has almost doubled since the March 2021 levels so what will be the duration of converting these investments into Topline s?
- Sanjay Shah:** I lost your question in between. Aakash if you could please repeat?
- Aakash Mehta:** On the capital infusion and borrowing front it has almost doubled since the March 2021 levels so what will be the duration approximately of converting this into the topline?
- Sanjay Shah:** We have already seen ramp up, so the capital fund raise which we have already done would be spent over the next 18 to 24 months that we talked about so it will be gradual across different projects which we are talking about. The borrowings which have been done are basically for the new plastic plant which we have setup which we have just commercialized by end of September. We are looking at ramping up as we move forward, so you should see ramp up in revenue between Q3 and Q4.



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- Aakash Mehta:** Q3 and Q4?
- Sanjay Shah:** Right.
- Aakash Mehta:** That is it from my Side. Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Good afternoon Sir. My first question is on the toys business. In the last few calls you had indicated that our customer growth is like 80 to 100 million dollars annually from India. And we are maybe like single digit wallet share as of now so in the next 2 to 3 years do you think we can become one of the main customers supplier to them and maybe if you can talk about the largest current suppliers from India. Are they like 20 to 25% wallet share or do you think these customers will always rely on 10 to 15 players rather than two or three big players?
- Sanjay Shah:** Current largest player in India is a number which is what you talked about. It is a little higher than the number which you talked about. There is possibility to get to that number over the next 3 to 5 years. We are working with these customers to see how we can increase the number of products or number of SKUs which we do for them and increase the wallet share, so since we just launched the first product I think both of us are understanding each other little more better we are trying to understand this market a little more better but I think we see enough opportunities on growing this business as we go into FY2023 and FY2024.
- Aman Vij:** Sir to reach to the next level do we think these 2 or 3 customers will be enough or will we require a substantial addition of customers as well?
- Sanjay Shah:** I think the numbers which we are talking about we should be able to reach with 2 or 3 customers but we would be looking at adding more customers as we move forward to basically build up scale.
- Aman Vij:** We talked about we have achieved peak kind of run rate I think in Q2 sometime so any reason we are not gaining up faster. You have talked about similar run rate for this in the leading quarter this year only?
- Sanjay Shah:** What Amit mentioned in his speech was that we achieved our highest revenue in Q2 FY2022. We have not said that highest which we will achieve and we are not looking at going beyond



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that so I think you will see if we go on the numbers for Q3 and Q4 you should see ramp up happening on that.

Aman Vij: That makes sense. The second set of question is on the pharma business. First one the CRC cap, if you can talk about our utilization level and what we have heard that other players are also thinking about adding CRC cap in their portfolio so with the competition increasing what kind of opportunity is there for CRC cap for us?

Sanjay Shah: Aman when we look at reporting utilization level we do not report utilization level across the business segment or across a specific business. Most of our business or our capacities are fungible across different businesses and everything.

Amit Sanghvi: On the caps we are doing about 20% to 25% of our annual capacity and the business is fairly steady. We add customers if we see a strategic fit including on pricing and that will continue but there are no special efforts in general to ramp it up even substantially further, so while we have a capacity of manufacturing 100 million closures a year most of the capacity is now being used for devices which means at the moment we are planning for 25 million closures.

Aman Vij: Sure Sir and finally on the pen side. You have indicated some numbers 150k and 1 million further from two molecules over the next two years. If you see we are doing currently 6 million run rate annually if my memory serves me right, so over maybe next 3 to 4 years because 2 years all these products will get launched and they will take maybe 1 year to ramp up so do we think from 6 million we can go to that say doubling of this volumes or do you think the realizations are much higher so we would not even require doubling of volume to achieve whatever targets we have in our pen business?

Amit Sanghvi: I think if I look at the visibility for next year that 6 is going to close to 9, 9.5 anyways so I feel confident that in two years you will get to somewhere between 10 and 12 million pens. Of course, the realization is higher because they are our own platforms, so the money that we invested on creating IP, designing, developing is a part of the revenue here but having said that I still feel doing 10 to 12 million in 2 years is going to be very possible.

Aman Vij: So this is just one final clarification on this part. You have talked about Sanofi new pen and we will be one of the suppliers not the only supplier so is this ramp up happening only because of the contract manufacturing part or do you think the bulk of the doubling of our pen capacity will be of our own IP pen?



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- Amit Sanghvi:** So far the numbers you speak so far as we said today. You will see that 80% of the volume comes from contract manufacturing that will change to 60:40, maybe 55:45.
- Aman Vij:** In the next 2 to 3 years.
- Amit Sanghvi:** Yes that is right.
- Aman Vij:** That is great to hear. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Just a follow up question we were scouting for a CEO for the firm, any progress over here?
- Amit Sanghvi:** We were scouting for?
- Ritesh Shah:** We were looking to bolster the top management any progress on incremental management hired at the top level?
- Sanjay Shah:** What Ritesh is talking about is the replacement for CEO?
- Amit Sanghvi:** I think we are still scouting. We have added a consultant this year and that is on the technical front. We are revamping the way we do injection molding. We are introducing a process through which it becomes more of a science then the art it is using the years of experience that we have. We have hired an expert in that regard who is running our entire revamp on the technical side. We have also hired a very senior fellow in procurement, but we still continue to look for that CEO to say and I believe that over the next 12 months we will be in place with one onboard.
- Ritesh Shah:** My second question is are we facing any challenges on the logistics side be at containers or freight costing etc., which could hamper the revenue numbers in the short term or is it something which is pretty much okay on expected line?
- Sanjay Shah:** Ritesh, logistics is a challenge. It will not be correct of me to say it is not a challenge. It is a challenge in terms on inbound as well as outbound. Revenue numbers which we achieved in Q2 could have been higher if logistics issues were not there, but we are trying to find solutions to it. One area where we have advantage in most of cases in our terms with customers are Ex-works so it helps us, but finally the customers also looks at in terms of the freight cost which he is paying and that does impact as we move forward. I do not know



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whether you asked that question or somebody else asked that question. Why do we have higher working capital? Yes you asked that question, working capital days. One of the reasons for higher working capital days especially on raw materials and FGSG is basically because looking at the logistics issues which we have on a lot of imported material we would be investing in keeping safety stocks that is one reason why you are seeing little higher working capital days. I expect things to improve in the next six to nine months and we should see some further improvement as we move forward but yes it is a challenge right now.

Ritesh Shah: Last question polymer prices have moved up significantly. I understand we face more or less on cost plus basis it will accrue probably with a lag is there some risk over here or is it very much normal status quo or our business terms with our partners?

Sanjay Shah: You are right. We will get with a lag. Some of it will happen with the lag as we move forward.

Ritesh Shah: Thank you so much.

Moderator: The next question is from the line of Faizal Hawa from HG Hawa & Company. Please go ahead.

Faizal Hawa: To me this looks like a business where the growth could be almost unlimited because of our inherent advantage of low cost and being able to do a lot of manufacturing quite easily. Ultimately how do you see this going, can we aim for year on year growth of at least 20% or 15% sales on volume basis and what would be the contribution of our top five customers to revenue?

Sanjay Shah: Faizal what we have been saying on most of our calls, we should basically be looking at about 25% CAGR growth over the next 5 years where there will be some years or some quarters when we will have higher growth, there will be some years when we will have lower growth but on a CAGR basis that is we would look at.

Faizal Hawa: What would be the contribution of the top five customers to our revenue?

Sanjay Shah: Top five customers would account for about 80% plus of our revenue.

Faizal Hawa: Thank you very much Sir.

Moderator: The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.



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- Kaushal Shah:** Thank you Sir for your follow up. Sir if you can throw some more colour our Swedish plant. We were going to add some more SKUs both on the carbon steel side as well as on the plastic side so anything there incrementally?
- Sanjay Shah:** Kaushal we just started a new facility for the home furnishing major where we would have added close to about 16 of the top selling SKUs and we just commercialized all of these in September.
- Kaushal Shah:** This is on the plastic side?
- Sanjay Shah:** This is on the plastic side.
- Kaushal Shah:** Okay and anything on the steel side?
- Sanjay Shah:** In the steel side we have already commercialized about 6 products where we are looking at ramp up and once we get to the ramp up we will look at adding more products afterwards.
- Kaushal Shah:** Sure. Thanks.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Amit Sanghvi for closing comments.
- Amit Sanghvi:** Thank you everyone for joining the call. We hope we have 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 very much. Happy Diwali, Happy New Year and stay safe.
- Moderator:** Thank you. On behalf of Shaily Engineering Plastics Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.