“Shaily Engineering Plastics Limited Q3 FY17 Earnings Conference Call”

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Moderator: Good day Ladies and Gentlemen and welcome to the Q3 FY17 Earnings Conference Call of Shaily Engineering Plastics Limited. 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 date of this call. These statements are not the guarantees of future performance and involve risk 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 the conference call, please signal the operator by pressing '*' and 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. Thank you and over to you, Sir.

Amit Sanghvi: Thank you very much. Good morning and a warm welcome to all the participants to the Post-Results Earnings Call of Shaily Engineering Plastics Limited. I am joined this morning by Sanjay, our CFO, and SGA our investor relations advisors. I hope you had a look at our results update presentation that is uploaded both on our website as well as on the stock exchange.

Let me start by giving you a business update for the quarter gone by. As we had guided earlier during our last call, we expected a slow Q3 and the quarter has played out on exactly those lines. The quarter was weak due to primarily three reasons; one, we had a slow off take in our home furnishing segments by one of our largest clients. Second, we had project delays on two key customers on account of final design changes required at their end with assembly that go into the final product. This was a one-off that we have witnessed and we are returning to normalcy in Quarter-4 FY17. In fact, we are confident of growth by the end of Quarter-1 of FY18 in all three of our segments that I mentioned. It is important to note here that while the revenue has dropped on a quarter-on-quarter basis, we have however grown very marginally on a year-on-year basis.

Possibly some good news is that in our home furnishing segment, we have received a significantly large order. The value of this order is to the tune of Rs. 60 crores per year where we have added 20 new SKUs to our portfolio. This order reflects the home furnishing majors' confidence in our capabilities and abilities and is a testimony of our long relationship with them. Tool development for this order is underway and we shall start supplies by September 2017. We have also received some new business confirmations during the quarter, which gives us an increased visibility on our target of 100 million by 2020. We have received order from one of the largest FMCG companies for packaging business for one of their largest selling brands in India.

Further, we have also received business confirmation from two large global companies in our Healthcare device segment. The first is a device for skin care application and the second also skin care, different therapy area. Tool developments for both of these projects are underway and we expect to commercialize within the next eight months. These new orders are important milestones in our journey and depict customer confidence in Shaily, both in developing and supplying medical devices.

In our Healthcare division or CRC division, we have started supplies in Quarter-2 and we have started a new order in Quarter-3 and Quarter-4. We are confident of full plant utilization by the end of fiscal 18. We continue to build momentum across our product segments and clients and are confident to achieve our target of 100 million with the global footprint by the year 2020. That is all from my side, I will now hand over to Sanjay who will take you through the financial performance of the company.

Sanjay Shah: Thanks so much and a very good morning to all the participants. I will share highlights of our operational and financial performance following which, we will be happy to respond to your query. Quarter-3 FY17 was a weak quarter, however, another aspect that contributed to it was our high tax provision which we shall adjust in Quarter-4 FY17. Coming to the operational highlights now, during the quarter we processed 2320 tons of polymers against 1917 tons in the last quarter increasing by 21% year-on-year, for nine months of FY17 we processed 7621 tons of polymer to growth of 34.6% year-on-year. Machine utilization levels dropped marginally to about 63% during the quarter on account of sluggish off-take in the home furnishings as well as some other areas which were highlighted before. With healthy pipeline of orders, we expect machine utilization to improve going forward. Exports for the year stood at 72% of total revenue.

For Quarter-3 FY17, we achieved revenue of 57.1 crores year-on-year growth of 1.5% from 56.3 in the same quarter last year. Revenue for nine months stood at 184.6 crores against 175.6 crores, showing growth of 5.1% year-on-year. EBITDA for Q3 FY17 was 7.7 crores versus 10.3 crores in Quarter-3 FY16 with EBITDA margin of 13.5%. EBITDA for nine months FY17 stands at 29.3 crores as against 30.9 crores in last year with EBITDA margins at 15.8% as against 17.6% of nine months of FY16. Net profit for Quarter-3 FY17 was at 1.4 crores, while for nine months FY17 we achieved a net profit of 8.7 crores with a net profit margin of 4.7%. Cash PAT for Quarter-3 FY17 was at 4.8 crores, while for nine months FY17 its at 18.4 crores as against 18.1 crores in nine months of FY16 growing by 1.6% on year-on-year basis. This is all from our side, we can now open the floor for Q&A.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Akhil Parekh from Nirmal Bang. Please go ahead.

Akhil Parekh: Couple of questions. We see a volume growth of 21% and sales has grown at around 1% on YOY basis, is this because of the lower realizations on the products we sell?

Sanjay Shah: Akhil, it is not lower utilizations, if you were to look at it, it is basically the product mix that has changed, there is some change in the product mix and that is the reason for it.

Akhil Parekh: I did not mean utilization, I meant lower realization, basically the lower SP?

Sanjay Shah: It is not that, see if you look at our plant and look at our manufacturing work efficiency, we do about 500 different SKUs, and 500 different SKUs basically would have different margin, so that is basically what it will take.

Akhil Parekh: The product mix has changed basically?

Sanjay Shah: The product mix has changed marginally, some products which we were looking at doing at in Quarter-3 some of it got delayed as Amit explained in the call earlier on the automotive and health care side, so those are things which basically impacted our utilization levels.

Amit Sanghvi: The realization and the revenue.

Akhil Parekh: One more question, in terms of employee expenses, I see a 15% growth on YOY basis and other expenses has also grown at 13% which has majorly resulted in to decline in operating margins from around 18% to around 13.5%, so did we do any kind of major hiring in this quarter?

Amit Sanghvi: We were fully geared to do the manufacturing of the projects which got delayed, so from a Shaily perspective there are three things, one is that we had bought material and we were getting stock of materials for the projects which I mentioned were delayed. Second is that same thing applies to the employee expense. These are not just straight moulded components, we need to set up the assembly, subassembly line, and therefore, there is a bit of training required ahead of commencing commercial production. Unfortunately, we did not cope well with the delay in the project where we had already added the employee expense.

Akhil Parekh: Fair enough and the other expenses any specific line of item which has caused increase in 13%?

Amit Sanghvi: No, what I would like to highlight is that although marginal improvement, but we have made sincere efforts on trying to bring our overall repairs and maintenance cost down and we have been able to control those costs in this particular quarter versus any of our last quarters.

Sanjay Shah: Akhil, just to add to what Amit said, if you were to look at on an overall basis other expenses and compare it to Quarter-2, you would have seen there has been some improvement on that, so at the same time we have taken part in some exhibition like we took part in CPhI in Mumbai and we have taken part in Pharmapack in the current quarter, so those are expenses which would get included in this part of other expenses, that is our vision of growing our healthcare business and we are basically taking participation in these fairs to grow that business.

Akhil Parekh: On CRC front, Amit just mentioned that we will be able to utilize our full capacity by end of FY18 and if I remember correctly last quarter we were expecting the full utilization to happen by FY19, so is there a change in it are we seeing more incremental demand in CRC right now?

Amit Sanghvi: You are right and maybe I should clarify that FY18, we will get to a level where the order book shows full utilization, it is only in the FY19 that we will actually get the full revenue out of that.

Akhil Parekh: This home furnishing major, you said we have a new order in range of 60 crores per year, so this should come by FY18?

Amit Sanghvi: We will start supply by September 2017, I mentioned that during my speech, so we will realize a portion of that total revenue next year and the balance of it in the following financial year.

Akhil Parekh: From our existing order from SHFN?

Amit Sanghvi: In addition to the existing order, we have added 20 new products.

Sanjay Shah: Just to add, we do about 18 different SKUs currently and we have added 20 new SKUs.

Akhil Parekh: 18 we do right?

Sanjay Shah: We do 18 currently and we have added another 20 new SKUs.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: I had two questions, first on the new business confirmations which you mentioned earlier in the call, so specifically in skin care device as well as Dermatology device, we will be developing tools for the same, so could you give some highlight of the timeline when do we expect the actual sales happening as well as could you quantify the order size if it is possible?

Amit Sanghvi: Design and tooling, design have been completed, tooling is under development. We will make an exhibit batch supply in the next seven to eight months, I mentioned that in the call as well. Post the exhibit batches, if once the customer receives approval then we would be doing commercial supplies.

Aman Vij: Most probably commercial supply will happen in FY18 only?

Amit Sanghvi: It will happen in the next financial year only probably towards Q3 or Q4 of next financial year.

Sanjay Shah: In the pharma device, the time taken for customer approvals is an elongated time because they would want to go through detailed approval process and would not want to bypass on any of them, so we will have to factor in that when we look at medical devices projects.

Aman Vij: What about the FMCG order?

Amit Sanghvi: The FMCG order would start sooner, but again the tool development time would be about six to eight months, so we anticipate revenue within eight to nine months. This will be a major launch for them, so it would need to tighten with their launch profile also, and in their marketing.

Aman Vij: Is this a new customer for us or same customer but new packaging business?

Amit Sanghvi: It is the same customer, new product.

Aman Vij: On the machine utilization part, it shows a decrease and I am assuming it will be because we added some new machines, so could you quantify the number of machines in Q3 FY17 as well as same quarter last year?

Sanjay Shah: When we look at between Q2 and Q3, we have not added machines, so between last year and this year, we have added machines.

Amit Sanghvi: Between last year and this year we have added about four machines, so if you compare it with last year, you will see that calculation of those four machines have been added in the utilization calculation for Quarter-3 of this year.

Aman Vij: No new machines in terms of quarter-on-quarter?

Amit Sanghvi: No new machines in quarter-on-quarter.

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

Ankit Gor: My question is with regards to CRC first, if you can give some details about how many clients we have as of now, what was the utilization level and what is the way ahead as you mentioned that FY19 will get fully operational or full revenue will get in FY19, if you can give some highlights in customer pipeline or anything like that?

Amit Sanghvi: We have five customers onboard, when I say onboard means we have agreed on pricing. We have been audited by the customer, we have supplied sample batches, they have taken trials, it is a matter of now finishing that validation process and commercializing the order. Out of these five, with two we have already commercialized and what we are waiting for is further orders from the customers. Balance in the pipeline, we have about 17 customers in the pipeline that we are trying to commercialize over the next two quarters.

Ankit Gor: In this case, the USFDA played a role in delaying this process or how it is, or just if we get some sense on it?

Amit Sanghvi: When a customer starts to supply, it is typically a six-to-eight month process. Unfortunately, what happened with us particularly this year was we had gone through this process with the five customers that I have mentioned, I will not give out names. Then in June of 2016, there was a requirement change from the FDA where a particular test was introduced. Now we have to get our products certified to that new test, that caused us the three-month delay, so when that causes a three-month delay post our certification, the pharma companies also need to go through the verification of that new test.

Ankit Gor: If I understood it correctly, FY18 end we should have kind of full utilization and its revenue will come in FY19?

Amit Sanghvi: Full revenue should come in FY19, we will see portion of the revenue in FY18 as well, but full revenue will only come in 19.

Ankit Gor: What are we expecting in FY18 from CRC plant in terms of revenue, Sir?

Amit Sanghvi: What I will do is I will not try to dodge your question, but we will try to give visibility at the end of this current quarter when we have our next earnings call. We realize that the process at each of the customers is different, none of the customers follow the same approval process, some take lesser time, some take longer times, so I would like to factor that in before I give you an answer.

Ankit Gor: My question with regard to this project delay due to design change, are we talking about here insulin pens from one of our clients or we are talking about some other projects?

Amit Sanghvi: One I spoke about specifically during this call is to do with an automotive customer. We make components for an assembly that goes in to General Motors cars in the US. It was made as per the drawings and design given by them. The final assembly, unfortunately did not work for General Motors, so then there was a design change initiated. That design change was also made yet there were some further issues as they discovered on their assembly line, so we are just trying to complete those and get supply started. In this case, there is an urgency on all sides. The urgency is also there from the customer end, unfortunately with the design change there is an X amount of delay, which cannot be shortened.

Ankit Gor: Sir, could you please highlight some update on CORVI orders also, that was also a good order and has it started commercialized or what is the status on CORVI, Sir?

Amit Sanghvi: Ankit, we have started supply, so we do not want to get into specific numbers on customers.

Ankit Gor: Yes, because I am just talking about have we started supply or not?

Amit Sanghvi: We have started supply towards the end of December.

Ankit Gor: I understand that you have given a long-term 2020 target of one hundred million dollar, along with that if you can give some target on EBITDA margin front as well because if I understand it correctly, this 60 crores per annum kind of revenue which we will get from new orders that margin will also be in line with what we have currently in home furnishing business, correct me if I am wrong here and that is one question, and second is what would be the long-term margin trajectory when we are guiding revenues till 2020?

Sanjay Shah: Ankit on the margin front, we would refrain from giving a guidance except saying that we expect margin to grow going forward. We still stand by it. My sense is even if I were to look at current fiscal year, we will average out margins which we achieved last year. Quarter-3 is a one-off quarter and should be looked at as a one-off quarter. Taking forward to FY20, the reason why we see growth in margins are improvement in margins, we expect pharma devices in packaging to pick up and that business to grow substantially as compared to the average which would also lead to an improvement in margin in addition to we achieving economies of scale and everything, so that is one thing.

The second part of the question was on the new order which we have taken on, that new order which we have taken on should help us in terms of improving our margins or ROC. I would just stop short here, not get into the details, otherwise.

Amit Sanghvi: One of the things I had mentioned during the beginning of the financial year was that unfortunately our capacity utilization levels did not go up as we had anticipated but when those go up, we will see an improvement in margin for sure.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Just one question, what is the operating cost on CRC plant which is built in the nine-month, operating, running expense?

Sanjay Shah: Pritesh, to answer that question little differently, we have invested 30 crores and that's been depreciated and interest is being done, and the plant is fully staffed. I do not want to again into individual plant level numbers.

Pritesh Chheda: Okay, but there would be operating expenses on that asset being built in the P&L?

Sanjay Shah: To answer your question, today if we run the plant at full capacity what we would need to do basically, workers and everybody, operationally expenses would be on raw material, packaging and power, rest of it is already there.

Amit Sanghvi: We are incurring the cost right now without revenue.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: I have a couple of questions, the first just on clarification on as you had earlier answered to some of the questions, the volume was up and sales were not in line somewhere, it is due to product mix changes, so my question is the company moving to lower realization product?

Amit Sanghvi: We have a basket of products, you know Sanjay mentioned we do 500 SKUs, we are not moving towards anything, in a given quarter or a given month, you could see higher sales of certain SKUs versus lower sales of certain other SKUs, sometimes we have bulky products which have high material content, we have complex products which have high value added content as well, so it all depends on the type of orders which we receive from our customers. As a strategy, Shaily is very clear from at least for the last three years, that we do not want to add any products, which will give us a lower margin than what we currently achieve.

Praveen Sahay: I take this in a different way, maybe we started with a lower and in the way forward the realization will go up as our estimate or is it a fair assumption?

Sanjay Shah: It is not that, what happens is if you were to look at current quarter, again comparing the current quarter and looking at revenues which we have generated and margins which we have generated, now in the current quarter, yes, our sales have been down and because of that work expenses have been higher which has basically impacted our margins and which is basically an answer to the question which you are raising why have we looked at or are we moving at lower value products or lower margin products, it is not that.

Amit Sanghvi : Simple thing is that about 2.5% of the margin loss in Q3 was essentially because of the fact that we are clearing stock of materials for which manufacturing did not happen, we had staffed ourselves with the manpower to execute these products which did not obviously happen because of the delay.

Praveen Sahay: Secondly on the export and domestic mix, do we have any target to achieve. Currently, we are moving towards an domestic percentage, so is there any target like come to 40% or somewhere in the domestic?

Amit Sanghvi: The push is on the domestic front, but lot of what we supply in the domestic market is also essentially meant for exports, when we talk about FMCG or even Healthcare, it is essentially we are trying to push up the domestic market and the LED lighting business.

Praveen Sahay: The pharma or FMCG where we are focusing that is a domestic one?

Amit Sanghvi: Yes, FMCG is also meant for consumption in the domestic market whereas pharma would be meant for exports, but we will supply into the domestic market.

Moderator: Thank you. The next question is from the line of Umang Shah from JM Financial. Please go ahead.

Umang Shah: I have couple of questions. The first question would be if you could give me break up between our Home Appliances, Healthcare, FMCG, so what was current percentage of revenue from these four?

Sanjay Shah: Umang, we basically do not report individual segment-wise revenue, so it will be very difficult for us to give you those numbers.

Umang Shah: My another question was that currently from our furniture segment, how much is the total SKUs after adding these 20 new ones?

Sanjay Shah: We currently do 18 SKUs which I said, we have added 20 SKUs which we would be commercializing by September of the current calendar year.

Umang Shah: There is no decrease in that?

Sanjay Shah: There is no decrease.

Umang Shah: I just missed out on the polymer part, how much was the consumption this quarter and how much did it go up from year-on-year?

Sanjay Shah: We processed about 1900 tons of polymer last year in this quarter as compared to 2320 tons of polymer in same quarter in the current year, so there has been a growth of 21% year-on-year on a quarter basis. If you were to compare last year's from Quarter-2 to Quarter-3, there has been a marginal dip in the total polymer which we have processed, so 2771 tons to 2320 tons.

Umang Shah: In Quarter-4, we will be looking at a growth or it will be again as Quarter-3?

Amit Sanghvi: Quarter-4 will be better than Quarter-3 for sure, then will it meet our own expectations, no. You see once the project gets delayed, it gets delayed. There is no other way, the orders will be there, but it will still get delayed whatever we were supposed to manufacture in Quarter-3, we will now manufacture in Quarter-4.

Umang Shah: It will be better than Quarter-2?

Amit Sanghvi: It will be better than Quarter-3.

Moderator: Thank you. We will move to the next question which is from the line of Akhil Parekh from Nirmal Bang. Please go ahead.

Akhil Parekh: Export to domestic, how much it would be for the first nine months now?

Sanjay Shah: Export to domestic for first nine months will be about 74% exports to 26% domestic.

Akhil Parekh: Sir, in terms of raw material prices, last quarter Amit Sir had mentioned that two of the raw material prices had gone down, could you please provide any color like how has the raw material prices moved this quarter?

Sanjay Shah: Raw material prices are tightening up a little bit, so they are going up.

Amit Sanghvi: Certainly, materials especially styrene-based materials have moved up significantly.

Akhil Parekh: Which material based you said?

Amit Sanghvi: Styrene-based materials that would be HIPS, polystyrene, ABS, SAN, SMMA, these materials have moved up, there were some capacity shut downs and there was a price increase in these materials.

Akhil Parekh: Capacity shut downs in China?

Amit Sanghvi: No, there was one in China, but there were two more in Europe.

Akhil Parekh: Regarding this home furnishing major, we said we will be adding 20 new SKUs would you be able to provide like what product categories it would be?

Amit Sanghvi: They are in storage, one is storage, one is children's products. In children's product there is both food contact and non-food contact.

Akhil Parekh: Anything else apart from this?

Amit Sanghvi: There is also in hygiene, just trying to recollect the fact and categorize some of the other products, these are broad categories.

Akhil Parekh: Will this be for the global business only, not for the furnishing major India, these orders are not specific for the Indian store which they are going to open in this year?

Amit Sanghvi: If they were taking up so much for their store in India, we will have to head way to the Bank today.

Akhil Parekh: In FMCG you said packaging, this is not CRC packaging, right?

Amit Sanghvi: No, CRC is classified in the Healthcare, FMCG is essentially the P&G and Levers and that type of business.

Akhil Parekh: This is for Gillette, the packaging one?

Amit Sanghvi: I will not give that information out right now.

Akhil Parekh: Just one last question, the skin care device which you had mentioned, would you be able to give some more color what this device is about?

Amit Sanghvi: I can't mention the customer in either of the cases, but basically this is an anti-fungal application.

Moderator: Thank you. The next question is from the line of Suvarna Joshi from SMC Global Securities. Please go ahead.

Suvarna Joshi: Most of the questions are answered, I just have a couple of questions, one was as we have set a revenue target for ourselves by 2020 and we are also expecting our margins to improve, so would it be fair to understand that our machine utilization rates also will increase going forward, so have we internally set any target on the machine utilization front that was the first question, and second, while I understand there is a mention in the result note about some unrealized foreign exchange loss, but could you just throw light on what is this qualification by the statutory auditors, was this qualification mentioned earlier as well or it has been raised only in this particular quarter?

Amit Sanghvi: I will answer the utilization question first. Yes, part of the margin improvement will be on account of the increased utilization levels. Our internal targets for machine utilization would be somewhere between 90% and 92%. We achieve it on some of our product lines, we achieve it on some of our equipments, we do not achieve it as a company overall. As orders increase, we should be able to see higher levels.

Suvarna Joshi: Just to get more clarity on that, this utilization increase that we are expecting, are we expecting to ramp up the CRC business quite significantly or is it going to be coming in from the new order wins that we are getting on the home furnishing space or the FMCG space?

Amit Sanghvi: When we talk about utilization, first we are focusing more on the current business and the current products that we are manufacturing, so to answer your question, yes, we will see a utilization increase in the CRC capacity, at the same time, we will also see utilization increase on the current capacity that we have set up for the current products that we manufacture. You will see some enhancement of that capacity through the new orders that we have gotten, but we will also be investing in new capacity for the new order.

Suvarna Joshi: This new investment that you are mentioning for the new order will be happening in FY18 or will it be in FY19, and what would be the amount if you would have worked out on those numbers?

Amit Sanghvi: Amount, let Sanjay Bhai answer on it, but on the investment, part of the investment has happened in the current year, balance will happen in the next year, because we are going to start supply by September 2017.

Suvarna Joshi: My second question was on the qualification part by the statutory auditor?

Sanjay Shah: Two things, the investment which we are doing is about 25 crores, which we had said on the Q2 call also. We are investing 25 crores, we will start making that investment in the current year and complete the whole investment cycle of 25 crores probably by September of 2017. On the qualification part, if you were to look at or read the note, what we have done is from the current financial year, the foreign exchange gain on outstanding assets and liabilities is being accounted as part of the results which we are declaring, which we were not doing earlier. So the note which says is this was not declared earlier in FY16. In FY17, this is being disclosed and this is being accounted for. Earlier, what we used to follow the practice was that whatever were foreign exchange assets and liabilities, they would be translated at the end of the year and necessary provisions made in the books of accounts at the end of the year, and they would basically take a qualification so we have stopped taking qualification from the current financial year.

Suvarna Joshi: Sir, this was relating to the previous financial year, which we have accounted for in this particular financial year, if I understand that correctly?

Sanjay Shah: It is not that, what it says is if we were to read that note, unrealized foreign exchange loss of 21.52 lakhs and 64.43 lakhs respectively for the quarter and nine months ended March 31, 2015, were not accounted in view of volatility of rates which was qualified by the statutory auditors in their review report. Had the same been accounted in 2015-16, the net profit for the quarter in nine months' period would have been lower by so and so and resultant EPS would have been…

Suvarna Joshi: Higher than what we have accounted for, right now?

Sanjay Shah: Right, so they were accounted for in FY16 in March 31, 2016. It is not that we had not accounted in 2015-16 and we are accounting it now, they were accounted at the end of the year and that is a policy which we used to follow earlier. We changed that practice to now accounting it on a quarterly basis at end of each quarter.

Moderator: Thank you. The next question is from the line of Pratik Singhania from Param Capital. Please go ahead.

Pratik Singhania: My question would be regarding the automotive business, so you said that current quarter, the sales were down because of the impact over there, so is the situation normal and like how quickly we can improve that business?

Amit Sanghvi: This product was developed by us. We have started initial batch supplies. When they assembled the final system, and put it on their car, there was a fitment issue, there was a performance issue, they then changed the design which we modified. I anticipate, we are seeing some sales right now in Quarter-4, they are still doing some further testing, but I anticipate full revenue being generated from Quarter-1 of FY18.

Pratik Singhania: About the current run rate of Q4, is it similar as Q1 or Q2 of FY17 or it is lower that?

Amit Sanghvi: It will be similar. If Q4 is better than Q3, it will be similar to Q1 and Q2.

Pratik Singhania: Is it possible if you can just run me down through the new business confirmation because I missed the opening remark, if it is possible?

Amit Sanghvi: We got a new business, as I mentioned at the start that we got a new order of which the value is about 60 crores per year from one of our largest customers where we added 20 new SKUs to our current portfolio, we got confirmation on packaging business from one of the largest FMCG companies. We are currently in the process of making tools for two additional orders that we received from a pharmaceutical major. They are both in Dermatology. They are both in skin care applications.

Pratik Singhania: What is the order of this packaging from FMCG and two skin care companies?

Amit Sanghvi: You want the value?

Pratik Singhania: Yes, per annum.

Amit Sanghvi: Let us do one thing, I will try to answer that question during the next earnings call.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: My question will relate to more of a new product you had announced during the last nine month, if we see first quarter, you had said that you got order for some ophthalmic packaging, so whether the supply for that has already started?

Amit Sanghvi: The development is complete and we have sent out the packaging for their line trials and trials on their selling equipment.

Sunil Jain: That order can start supplying in the next year or may be in fourth quarter?

Amit Sanghvi: Not in fourth quarter, I think probably towards the end of Q1 or somewhere in Q2, I do not have 100% visibility on that, the reason is that after they finish all the trials, they will need to go through a bunch of validation at their end.

Sunil Jain: Sir, similarly in the Q2, you had also said that you had received a business confirmation to manufacture a component for a domestic auto ancillary, so is that also in process or?

Amit Sanghvi: We are commercializing that this quarter.

Sunil Jain: Any business size or we can see any visibility in that?

Amit Sanghvi: Yes, we see fairly good visibility on that for the next year. It will eventually go into one of India's largest automotive company and one of the top selling brands.

Sunil Jain: Last quarter also you had said that you got packaging business from a skin care brand and now it is device, both are from the same company or different?

Amit Sanghvi: Different companies.

Sunil Jain: This packaging is also in process?

Amit Sanghvi: Last quarter, skin care was to do with the FMCG side of skin care, which is more on personal care, this time it is do with pharmaceutical side of the segment.

Sunil Jain: This packaging side of skin care that business is expected to start in Q4 or next year?

Amit Sanghvi: It will go to next year.

Sunil Jain: Whatever new business which we had received during the year, can this give a revenue visibility for good growth what we were talking of 20-25% for the next year?

Amit Sanghvi: I defer this question to the next earnings call where we will give you some indication of what targets have we set for ourselves?

Moderator: Thank you. The next question is from the line of Rahul Singh, he is an individual investor. Please go ahead.

Rahul Singh: My question was can you provide some visibility on IKEA India?

Amit Sanghvi: Sorry, I am not sure, I did not quite understand the question or how to answer it, but yes they are coming to India, I do not know anything else beyond that.

Rahul Singh: Sir, any CAPEX plans for FY18 and FY19?

Sanjay Shah: What we have said, we would need to invest incrementally about 100-120 crores to take to our vision of 650 crore by March 2020, out of which we are doing about 25 crores by September '18 and balance would be invested over the period of time.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Amit Sanghvi: I would like to thank everyone for joining the call. I hope we have been able to respond to your questions adequately. For any further information, I request you to get in touch with SGA, our Investor Relations Advisors, and I thank you again for your continued support.

Moderator: Thank you. On behalf of Shaily Engineering Plastics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.