"Shaily Engineering Plastics Limited Q3 & 9M FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Shaily Engineering Plastics Limited Q3 & 9M FY2019 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 involved 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 this conference is being recorded.

I now hand the conference over to Mr. Amit Sanghvi – Managing Director, Shaily Engineering Plastics Limited. Thank you and over to you Sir!

Amit Sanghvi: Thank you Vikram. Good morning and a warm welcome to all the participants to the post result earnings call of Shaily Engineering Plastics. I hope you have had a look at our investor presentation that is uploaded on our website as well as the Stock Exchanges.

After significant internal challenges with respect to labor and power in Q1 and Q2, we were fully geared up for growth and increasing utilizations. However, Q3 has had a different set of external challenges which impacted our revenue growth and profitability. One of our top global clients has faced some challenges with their own growth as compared to their forecast along with the change in the inventory policy which has resulted in lower growth for Shaily.

A change in the inventory policy on a global basis has resulted in lower frequency in ordering, coupled with lower quantity of orders. We believe and are confident that this is the temporary phenomena and we will return to normalized situation by Q2 of FY2020. Let me give you confidence that there is no loss of business, loss of customer, loss of SKU, with any of our customers and we continue to bid for opportunities with all our clients. Our value addition proposition and our client confidence in our abilities is absolutely on track.

In Q3 of FY2019 we have received business conformation for two large medical devices from a domestic pharma company. We received a new order from our home furnishing major for a new product. One of our other customers Honeywell who also happens to be one of our oldest customers for which we have done significant execution. They have now awarded us confirmation for three new products.

Our expansion plan that we had announced during the last quarter is progressing well. After purchasing 18 acres of land in Halol, we have now completed the land transfer process. Accordingly, construction has commenced in the current quarter, we expect to commercialize the plant by September 2019 and sales to start in October 2019.

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

Sanjay Shah: Good morning everyone. I should share with you the highlights of our operational and financial performance during Q3 and nine months FY2019 following which we will be happy to respond to your queries.

During the quarter, we processed 3318 tonnes of polymer as against 3647 tonnes in the same quarter last year. For 9-month we processed 10296 tonnes of polymer as against 9663 tonnes in the same period last year increasing 7% year-on-year. Machine utilization rate stood at 71% during Q3 FY2019 while for 9-month FY2019 the same was at 71%.

Exports during Q3 FY2019 stood at 66% of total revenue, for 9- month exports contributed 71%. For Q3 FY2019, our revenues stood at Rs.85.6 Crores showing a year-on-year growth of 8.9% from 78.6 Crores in the same quarter last year.

For 9-month FY2019, our revenue stood at Rs.261 Crores a growth of 15.1% on Y-o-Y basis. Our gross margins have improved 80 basis points on year-on-year basis from 37.8 in Q3 FY2018 to 38.6 in Q3 FY2018. Even on quarter-on-quarter basis margins have improved from 110 basis points from 37.5% in Q3 FY2019.

Raw material pass through which we talked about in Q2 has happened in Q3 and that is being reflected in the gross margin improvement. EBITDA for Q3 FY2019 is at Rs.13.1 Crores versus Rs.13.8 Crores in Q3 FY2018 showing a drop of 0.6%on a year-on-year basis. EBITDA margin stood at 15.3% in Q3 FY2019 on 9-month basis EBITDA stood at 42.6 Crores a growth of 4.2% on year-on-year basis with a margin of 16.3%.

We believe the operating leverage would benefit us going forward as utilization levels pickup. Finance cost has increased on account of higher debt taken for land purchase and capex for multiple divisions.

Net profit for Q3 FY2019 is at Rs.4.3 Crores down from Rs. 5.9 Crores in Q3 FY2018 and for 9-month FY2019 the net profit stood at Rs.15.8 Crores down from Rs.16.7 Crores in 9-month FY2018. Higher provision for taxes compare to last year also impacted our profitability.

Cash PAT for Q3 FY2019 is at Rs.8.1 Crores as against Rs.10.2 Crores in Q3 FY2018, while for 9-month FY2019 Cash PAT is at Rs.28.2 Crores in 9-month FY2018 to Rs.26.7 Crores in 9-month FY2019.

Our Capex spend in Q3 FY2019 was Rs.12 Crores.

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

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Sir my first question is you indicated about the change in policy and hence you will see bulk up of revenues from Q2 2020 onwards. Can you please provide some color on what this change of policy is one and secondly one would expect that the revenues will come back and there would not be any impact on SKUs so what is the kind of ramp up that we are looking at after this particular duration?

Amit Sanghvi: I mentioned in the call, two things that impacted revenues in Q3,particularl; customers own sales is lower compared to forecast and second change in the inventory policy. Inventory policy for example was in the range of five to six months of inventory in pipeline which is distribution channel which has now been revised down to 45 days. Therefore there has been a significant drop in some of the orders given that that consumption of existing inventory is happening. Now with respect to their own sales being a little more than expected I do not have a clear answer on when that would pickup, but the sales drop itself is not very significant, we are talking about a 3%. The third big impact was we had one major product that was to go in manufacturing in September 2018. Unfortunately there was a design change and the tools required some modifications. And therefore the projects is likely to start in April of 2019.

Ritesh Shah: Sir when you say 45 days going to 180 days, this will be a reflection of what percentage of our revenues basically if one looks at FY2018 number like if you can provide some color over here?

Amit Sanghvi: 60% of our revenue.

Ritesh Shah: 60% of the revenues?

Amit Sanghvi: Yes somewhere between a 63% to 64%of our revenue.

Ritesh Shah: That helps. Sir my second question is you have indicated about favorable terms of debt financing for our land purchase can you highlight this Rs.100 Crores debt finance that we have done?

Sanjay Shah: Ritesh, so the Rs.100 Crores debt financing has been taken from an NBFC which we have talked about and, it is for a period of seven years with a two year moratorium and linked to SBI's MCLR. We have drawn Rs.30 Crores till December out of the Rs.100 Crores. We will be drawing up further some amount in Q4.

Ritesh Shah: Sanjay Bhai, if I just had to ask, had it been not for this basically if you do away with the negative impact of operating leverage given our revenues are pretty weak, on a normalized basis if one had to look at EBITDA and PBT margins adjusted for this fixed cost base how the numbers would have panned out?

Sanjay Shah: I did not understand your question Ritesh.

Ritesh Shah: Sir if you look at our EBITDA margins or gross margins or PBT margins it has been trending down since last three quarters and I think part of the reason would be us going slow on revenue so wherein the growth has just about 9%, 10% had this growth been at 30% would you basically give some guidance on what our EBITDA martins would have been something of that sort on a normalized basis. I am just trying to understand that this is not I am saying structurally the business remains as strong and what we are seeing is intermediary headwind because of this inventory adjustment which is happening at the client side.

Sanjay Shah: So to answer this question and it is difficult. I will break this up into two parts. One is if you have to look at, one is we are investing in from higher fixed cost to basically account for the growth which we are looking at. Second is if we had the growth which we had talked about and then you would have margins which would have been equal to margins which we have achieved last year or probably higher

Ritesh Shah: Okay, this is at PBT level or EBITDA level?

Sanjay Shah: Both.

Ritesh Shah: And last one question for Amit. Sir you had indicated a $100 million target. Now because of this headwinds does the target still remain very much in place or how should one look at it.

Amit Sanghvi: We will be delayed by one year on the $100 million target and we still have visibility of 85% to 90% of that revenue, but it will be delayed by one year.

Ritesh Shah: And lastly you indicated two new devices from domestic pharma company, are this domestic launches or this launches in US or Europe?

Amit Sanghvi: No they will be global launches, so different markets will come on stream at different periods but they will be global launches and primary target will be the US.

Ritesh Shah: Is it possible if you can provide some color over here is it like derma, or respiratory anything…?

Amit Sanghvi: Injectables.

Ritesh Shah: Nothing but injectables.

Amit Sanghvi: Mainly peptides.

Ritesh Shah: Mainly for…?

Amit Sanghvi: Peptides.

Ritesh Shah: Okay, perfect, that helps. Thank you so much for the answers.

Moderator: Thank you sir. We have next question from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Sir I have two questions. First of all as you mentioned that there was some delay due to modification on some orders. Just wanted to know either that order is pertaining to carbon steel projects or something else and if suppose, if it is a carbon steel project when we will see the ramping up in the sales from that project. And the second one, we have also learnt from your Q2 FY2019 presentation that some new business confirmation, we had received from some global departmental store that was also being commercialized from the Q3 FY2019, but I just wanted to know update on that things. And third one is, if I can allow, Sir what would be the tax rate for FY2019-20.

Amit Sanghvi: Let me start with your first one. The design change and modification in tools is on a plastic product not on a carbon steel product. Carbon steel factory will go on stream, will start commercial production in September 2019 which they will pay starting October 2019.

Now to your second question. Yes the large global retailer that we got a business award from S we will be supplying I do not know the exact number as of now, but we will be supplying a few Crores worth of products in this quarter.

Sanjay Shah: Yes on the tax rate Hitesh we will be at full tax rate for FY2019 as well as FY2020.

Hitesh Taunk: Okay Sir thank you.

Moderator: Thank you sir. We have next question from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Sir there was also a plan if I remember correctly about some debt repayment coming up in the next one year. So would you throw some light on that given that we are taking up this additional debt so where would the debt trend let us say here from now?

Sanjay Shah: Kaushal we have repayment coming in every quarter and whatever repayments are coming in every quarter they are getting paid off. On an average we would have repayments of about Rs.20 Crores, Rs.22 Crores every year, if I were to look at FY2019 as well as FY2020 and this is the normal debt which would get repaid off.

Kaushal Shah: So that means the overall volume of debt the quantum of debt that gets added to the balance sheet may not be Rs.100 Crores.

Sanjay Shah: Rs.100 Crores minus whatever is being repaid would be the net debt which would get added to the balance sheet you are right about it.

Kaushal Shah: Alright thank you Sir.

Moderator: Thank you. We have next question from the line of Umang Shah from Edelweiss. Please go ahead.

Umang Shah: Sir I have very basic question for the management that is so we had targeted for USD 100 million by 2020, you said it is deferred by a year, but I just want to know the confidence that we still have in that target, reason being I was just going through our previous presentations and each and every presentation with slower growth, lower growth whatever it is, we have always set that target in bold letters, but this time there is no mention of $100 million target of 2021 also. So if you could just give us some confidence that what we are trying to achieve it will be achieved deferment for a year fine, but what is the confidence that we are looking at.

Amit Sanghvi: If I look at the pipeline I think on several calls in the past also we have mentioned that we have 80% visibility on that revenue target and that does not change, what has changed is start up of some of our new products and new customers. We achieved new order from our existing home furnishing major but will have to wait till next year for full scale up which is why we have deferred the target by one year. And we are also very confident that it will happen there is no other way. We are going beyond investing as you know 100 Crores in new Capex within the next 18 months..

Umang Shah: Agreed sir, but so the carbon steel project that I hope that was in plan three years back, but or that would be a new opportunity that we recently found out. Apart from that we had CRC plant that we were looking at and correct me if I am wrong, but the two large devices these are not from CRC plant right.

Amit Sanghvi: Yes they are from the CRC plant.

Umang Shah: They are from the CRC plant, okay. So finally the CRC plant is also taking up, carbon steel already we have a order book so based on that also we are accumulating Rs.650 Crores worth of revenue by 2021, but are you confident that the growth that we have so it will be a huge CAGR that we are looking at in next two years that is achievable based on these three rather four new products or you have visibility of another 10 products or SKUs that would be added up going forward.

Amit Sanghvi: So with the large global retailer the new one that we have added, will see first supply to them and our expectation is that we should receive incremental large orders in FY2020 and FY2021. Similarly, there is another big area where we have making efforts we are looking at this starting supply in to similar to home furnishing but a slightly different character, okay, I do not want to mention it could give us a competitive advantage, but we will see significant ramp up over the next two years in that particular segment as well.

Sanjay Shah: Umang just to added to what Amit said, some of the volume growth which we expected this year has not happened because of reasons which we talked about in Q2 as well as in Q3 Amit had explained that. So we expect to get those volumes to start happening in FY2020. So some of that growth would essentially come from the existing business also which should have happen this year which has not happened.

Umang Shah: But Sir these volume pickups have always deferred if I am not wrong, please correct me, because I am just trying to understand that there is a deferment and reasons and the confidence that these deferments would be successful going ahead. So that is the only reason why I am pinpointing it again and again.

Sanjay Shah: Yes, so does that answer your question if you want me to answer.

Umang Shah: Yes just one more. So the new global major that we have signed up with, I was not clear on the previous questions, but in Q3 we were suppose to start exporting to them and that has already began or that has been defer by a quarter or two.

Sanjay Shah: No we will be supplying in this quarter.

Umang Shah: We will be supplying, so instead Q3 postponed to Q4 we can say.

Sanjay Shah: Yes right.

Umang Shah: Alright, thanks.

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

Ravi Naredi: For carbon steel project. when do we expect our construction to start.

Sanjay Shah: It is started we will go live in September 2019.

Ravi Naredi: September 2019 we will receive the production right.

Sanjay Shah: Yes, we will commence commercial production.

Ravi Naredi: and how much investment we have done on the land we have just bought.

Sanjay Shah: Ravi the total investment which we have made in the land will be around Rs.17 Crores.

Ravi Naredi: Rs.17 Crores, okay.

Sanjay Shah: That investment is not only for the carbon steel it is investment for plastic factory in the future, so it is some large amount of land which we have got..

Ravi Naredi: And second this carbon steel project which we are starting by September 2019 which we are planning to start by September 2019 we will make Capex of Rs.40 Crores, is it right?

Sanjay Shah: Yes we have said it will be about Rs 50 Crores of capex in that.

Ravi Naredi: And after that next Rs.50 Crores when we will do?

Sanjay Shah: That part of it is going into the line and the balance will get into the plastic expansion which we are doing.

Ravi Naredi: And so this carbon steel will need Rs.40 to Rs.50 Crores Capex right.

Sanjay Shah: Yes, we will need Rs.50 Crores.

Ravi Naredi: And how much top line we can get in one year from this carbon steel.

Amit Sanghvi: As of know the full year supply should be about Rs.111 Crores somewhere between Rs.110 Crores and Rs.120 Crores.

Ravi Naredi: And what will be the margin?

Amit Sanghvi: We will not be able to talk about the margins

Ravi Naredi: Okay, but this existing margin possible or we will go for higher margin just one point only.

Amit Sanghvi: We will not be able to answer that I am sorry

Ravi Naredi: No problem we respect your decision no problem. Thank you Sir my question has been answered.

Moderator: Thank you Sir. We have next question from the line of Kush Gangar from Care Portfolio Management Services. Please go ahead.

Kush Gangar: Sir my question was regarding the customer where our inventory pipeline has reduced. You mentioned that we are confident of bulking up from Q2. So inventory policy would not change, so what makes you confident that the revenues would pickup from Q2..

Amit Sanghvi: Because there would exhaust the pipeline so then they would need to place new order we will maintain that 45 days.

Kush Gangar: So because of sales slowdown they have reduced their inventory pipeline is that right?

Amit Sanghvi: Their inventory pipeline was anyway going to be reduce, but yes, so it has been a combination effect, because the other has not happened because of one so they have had a sales slowdown and they have reduced their inventory policy.

Kush Gangar: Okay. Thank you.

Moderator: Thank you Sir. We have next question from the line of Amruta Deharkar from Trivikram Consultancy. Please go ahead.

Amruta Deharkar: Just on continuation of the previous question. As in now in the Q1 and Q2 we had faced some labor and power issues so we were not able to supply to the home furnishing major then we missed some sales for the pre-Christmas season and now that the inventory policy change is happening from the client side. So say by Q2 FY2020 we expect it to be on track again our sales will start. So it is like can we say that FY2019 was a one-off year and after Q2 FY2020 we expect everything to be normalized so we will be able to supply whatever are the orders and so from FY2020-21 will be where we can actually have a full-year proper normalized impact. Am I right?

Amit Sanghvi: Yes.

Amruta Deharkar: Okay, thank you.

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

Akhil Parekh: First question is on the labor and power front, we had issues in Q1 Q2, has those issues be completely resolved or we still have some issues there.

Amit Sanghvi: Power has been completely resolved. We got a dedicated line from the substation to our factory. So we do not see those outages that we did in Q1, Q2 that has been solved.

Akhil Parekh: For labor?

Amit Sanghvi: Labor as of now, it is going well. In Q3 we had not had any labor issues.

Akhil Parekh: And second question your margin for this quarter as well as the nine month the margins have dropped and at the same time I see our exports have also dropped from 71% to 56% so it is kind of a conflicting if I am not mistaken because our home furnishing major clients was in terms of margin profile was slightly below the blended margin profile. So is the margin drop is purely because of the change in the raw material price does it because of the product mix change.

Amit Sanghvi: Margin drop is basically because of I think that the topline has not been what it should have been and that is the reason for that. The reason for again export drop is basically products from the home furnishing major have been lower in the current quarter and that is the reason for the drop in margin.

Akhil Parekh: Sir this top line we have grown almost 15% for the nine month it is like the margins were almost drop by 170 bps so just trying to understand that.

Amit Sanghvi: Sorry Akhil can you speak a little louder.

Akhil Parekh: Yes I am saying the top line has grown by 15% that the margins have dropped as well for first nine month ended. So has there been any pressure from the raw material price?

Sanjay Shah: In the first two quarters there were pressures on raw material because of the movement on crude as well as on dollar most of the changes on raw material has happened in Q3 so I would not say there is any pressure on raw material, the margins on account of raw material currently.

Akhil Parekh: Is it operational expenses are high because there were they meant to cater to a target of Rs.400 plus Crores this year unfortunately which is not going to get there.

Sanjay Shah: Even if you were to look at it gross margins in Q3 have improved as compared to Q2.

Akhil Parekh: And this new home furnishing major which we will start supplying to them in Q4 would you be able to give some color on it like what kind of SKUs we are supplying to them and maybe in which country we will be supplying.

Sanjay Shah: It is a kitchen product that we will be supplying in two different sizes we will be supplying to their distribution. I do not know what market we are going to get but globally they have 10000 plus stores and it is a $100 billion retailer.

Akhil Parekh: And Sir European retailer.

Sanjay Shah: Likely to be, yes.

Akhil Parekh: And sir number of SKUs sir right now we will be providing two SKUs right.

Sanjay Shah: Yes.

Akhil Parekh: Sir just clarification of this, you said there was some machine issues and we are expected to start a project at September 2018 but we will delayed to April 2019 this is for the CRC you said right?

Sanjay Shah: I am sorry, no.

Akhil Parekh: You mentioned that there were some machine issues I do not know there is one particular project was expected to start in September 2018 which got further delayed to April 2019. Not a machine issue. There is a design change so most need to be modified to accommodate the design change.

Akhil Parekh: And Sir this was for the which client, it was for the home furnishing major or CRC?

Sanjay Shah: No home furnishing major.

Akhil Parekh: Sir inventory days you said has changed now what you say 45 days to five to six months or is it the other way around.

Sanjay Shah: Other way around.

Akhil Parekh: So from 5 to 6 months they changed to 45 days.

Sanjay Shah: See it is different for different markets with an amount of lead time but yes it has come down across the board.

Akhil Parekh: Okay. Thank you so much.

Moderator: Thank you. We have next question from the line of Resham Jain from DSP Mutual Fund. Please go ahead.

Resham Jain: Sir just on this the customer where there is a delay now in terms of not delay but the certain sales which got shifted now to Q2 FY2020 but against that they will be adding one or two more SKUs and we will be adding one more customer so just to get a sense on whether these are getting offsetted by each other and what kind of growth we are looking at in the immediate six to eight months.

Amit Sanghvi: Given that things will normalize from Q2 FY2020, you should see the first set of good result in the Q2 which either if you look at only a 6 to 8 months horizon you may not see such a drastic difference, but if you increase your horizon given that Q3 and Q4 will be the credible quarters next year. Then you will see the growth and we are looking at 30% plus.

Resham Jain: No but this two new one from the existing customers the new product which we have got and the new customer which we have got, which you said will start contributing from Q4 are they enough to offset the loss in business which you had in Q3 just wanted to have the sense on that.

Amit Sanghvi: No the answer is no, They are not enough to offset it, because as the new customer there would be a period where we have to perform on quality, on delivery post which we would get higher orders.

Resham Jain: And Secondly on the Forex side, is there any impact during the quarter.

Sanjay Shah: No.**Resham Jain**: Okay. Thank you.

Moderator: Thank you Sir. We have next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: Sir I got two questions, one is related to the inventory terms by the furniture majors. Whether this will have any issues on our inventory holding?

Amit Sanghvi: No, we only maintain a 13 days of invoice that that it will not change but the production has gone down because we do not have the orders, the level or orders that were there before.

Sunil Jain: Yes, so there will not be any change in inventory holding for us like transition inventory will be on our account or something like that.

Amit Sanghvi: No, nothing like that, no change in business terms.

Sunil Jain: And Sir second thing about your new projects which were setting or investing now, the targeted return on whatever you were targeting earlier the return on equity and return on capital employed will be similar or will there be some difference.

Amit Sanghvi: Broadly it will be same.

Sunil Jain: Fine means the return profile will be more or less same whatever the existing are.

Amit Sanghvi: We have not answered the question on EBITDA for a reason I think this will allude to that so…

Sunil Jain: Okay, no my point was like apart from capital investment whether the working capital investment will be offered similar type or not.

Amit Sanghvi: That could be the best that we look, any investment we made we look for better utilization of that investment as compared to whatever we are going now.

Sunil Jain: Great. Thank you very much.

Moderator: Thank you. We have next question from the line of Rishabh Vasa from Almondz Global. Please go ahead.

Rishabh Vasa: Sir I have only one question it is regarding the other expenses. So basically there is an increase of around Rs.2 Crores quarter-on-quarter and year-on-year basis. And also in the nine months, we see an increase of around Rs.4 Crores. So does this include any one off and what will be our guidance on a sustainable basis basically.

Amit Sanghvi: No this does not include a one-off but in this quarter we have had exhibition expenses for two exhibitions in which we took part one is CPHI Madrid another is CPHI Noida so that is one expenses for this. There were some other expenses which were on repairs and maintenance which were there in Q3. So those were expenses which were a little higher compared to our normalized expenses.

Rishabh Vasa: And what is our guidance going forward?

Amit Sanghvi: Will be in the same range but as volumes go up as turnover goes up you would see a percentage of this expense should come down.

Rishabh Vasa: Thank you Sir.

Moderator: Thank you. We have next question from the line of Devang Patel from Crest Wealth. Please go ahead.

Devang Patel: In the beginning you spoke about the Swedish client having some sales slowdown, can you talk about if something major has happened at their end, are they getting impacted by trade wars or Brexit or anything like that?

Amit Sanghvi: No I do not think so not that we have trade war we have several discussions I do not think next this got anything do with it as of now. Trade war should in fact benefit supply but we are not seeing that go up for that particular customer.

Devang Patel: And you said that there would not be any change in payment terms as they trying to cut down their inventory days quite dramatically, will there be any vendor consolidation in future.

Amit Sanghvi: Unlikely they went for a very large consolidation activity in 2017 so unlikely that they will do any further consolidation right now and now there will be no change in payment terms.

Devang Patel: Thank you. That is all from my side.

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

Ritesh Shah: Sir my first question is how do we derisk the business model given this change in inventory policy at one of the vendors so what is the, that our learnings are from this particular event knowing you and Sanjay bhai I am very sure that you would have had discussions on this. So this comes actually as a surprise so how should one look at this basically how do you look at this events and something of the sort does not happened in the future.

Amit Sanghvi: Ritesh I think it is not just this particular event I think derisking in general has always been kind of a focus area. Now you would understand that it is very difficult to start off a new customer and new segment where you can start generating the amount of revenue that this home furnishing major provides us. So without this event also every year our efforts have been there on client to sign the segment or a customer where we can have this kind of substantial business. CRC was created with that purpose to derisk a little from being so reliant on one customer. The other two accounts that we have added were one we will start supplying in this quarter and the other we will start probably by end of Q2 or Q3 of next year. Our significantly larger customers that can give us the revenue which can be equal or more to whatever we are doing with the home furnishing major. It will be that normally we can do to derisk. it is not going to happen overnight, it is going to take time, but it will happen.

Ritesh Shah: If you can provide some more color specifically on the concentration risk that we have like we understand the furnishing major is one our larger clients but given the major, given a $100 million target if we can have something of that sort say basically we look to derisk our model I think it will help the investor community a lot that is just one suggestion. So if you look at on CRC caps can you please indicate how the ramp up has been on this particular business against the capital employed that we have in place?

Amit Sanghvi: So I will take the last one first. I mentioned during the Q1 call or Q2 I am not sure which one that the capacity that were created for CRC are being utilized as we speak and there was a much that is underutilized. As far as product is concerned we are doing roughly somewhere in the range of Rs.30 to Rs.50 lakhs a month particularly on the product but we have orders one in particular where we are looking at, it is about Rs.5.5 Crores a year for which we have start supplies from July of this year.

Ritesh Shah: Aren't this somehow pretty short of the potential what the facility has I think if my memory serves me right the number that we were looking from this particular asset was upwards of Rs.60 Crores, Rs.70 Crores if I am not wrong.

Amit Sanghvi: It was in the range of Rs.60 Crores to Rs.65 Crores and the facility does quite a bit of that even today so the facility itself is not doing less sales we are doing about Rs.24 plus Crores from the facility.

Ritesh Shah: But there has been some delays on the ramp up like to what we had expected two years back. So where do you see this being made up like is it still on back of the issues which are being faced by the domestic pharma companies or basically are we going slower here by design.

Amit Sanghvi: No I will be going slow by design. We are doing everything we can till ramp up. We will have hopefully in the next end of Q1 we will have potentially added two more accounts to our CRC facility.

Sanjay Shah: Ritesh just to add to what Amit said. Since we had the CRC facility and I was saying we had been able to add a lot of customers on the device front. First of all they were plus four or six quarters in terms of addition what we will do probably end of Q4 is visit the consolidated customers at least a pipeline in terms of a pharma which we have added which can probably give some idea to the investing community in terms of consolidate Q1 to Q4 and then talk about it. But we are actively doing a lot more devices development than what we were doing earlier.

Ritesh Shah: That helps. Thank you so much for the answers.

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

Ravi Naredi: What is current working going on since 45 days has been current quarter is past?

Sanjay Shah: I did not get your question really.

Ravi Naredi: 45 days of current quarter has been passed, so how is working in current quarter.

Sanjay Shah: Ravi wait for the current quarter to end and then we will talk about it.

Moderator: Thank you Sir. We have next question from the line of Harish Mehta from BNP Paribas. Please go ahead.

Harish Mehta: Sir, can you just give us a breakup on the total number of customer you have in terms of top 10 how much their contribution from top 10 clients.

Sanjay Shah: Top 10 would account for about 85% to 87.5% of our revenue, we would not feel we can give you the breakup of this, but top ten would account for about 85% to 87.5% up on everything.

Harish Mehta: And total number of customer you have Sir roughly.

Sanjay Shah: Around 30 to 35.

Harish Mehta: Thank you so much.

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

Pritesh Chheda: Sir on the execution part especially to do with the challenges that you faced on the employee side what steps have been taken and how does this rectify itself.

Sanjay Shah: There were two or three things Pritesh which we did one is we put in a scheme where basically give incentives to the workers to attend 26 days, we have put in an additional contractor so the availability of manpower has also improved and these were broad things which we have done and then we have done a lot of search internally to talk to workers and see explain them if they do not come in, what harm does it cost and everything so various things which have been done which have basically address the issue in Q4.

Pritesh Chheda: Sir those things are addressed now so now what just remains is the execution and pickup by the clients.

Sanjay Shah: Right.

Pritesh Chheda: Then what is the debt that we have at the end of Q3 and what is the Capex spend for FY2019.

Sanjay Shah: FY2019 our total Capex spend including land and capital work in progress on account of carbon steel will be somewhere in the region of about Rs.50 Crores. Total debt as of Q3 FY2019 is about Rs.101 Crores.

Pritesh Chheda: This is net or this is a gross debt.

Sanjay Shah: Gross debt.

Pritesh Chheda: And whatever slower ramp up of growth that we see in the first nine months, is it largely to do with our key client and slow ramp up there or there are other couple of reasons that you want to call out in terms of clientele.

Sanjay Shah: It is mainly on account of our large client.

Pritesh Chheda: Okay, for which you said that the execution pickup will happen next year Q1 right that is what you put it out?

Sanjay Shah: Q2

Pritesh Chheda: Next year Q2.

Sanjay Shah: Yes.

Pritesh Chheda: Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen that was the last question, I now hand the conference over to the management for closing comments. Sir over to you!

Sanjay Shah: Thank you everyone for joining on the call, with the continued long-term association with our client and robust order pipeline we are confident to continue to deliver superior performance. Our business model and strategy remain unchanged the long-term plan of our marquee clients will enable us to grow stronger. Thank you and we hope we have been able to answer your query. For further information request you to get in touch with SGA our investor relation advisors. Thank you once again and a good day to all of you. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Shaily Engineering Plastics Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.