



“Shaily Engineering Plastics Limited  
Q1 FY '26 Earnings Conference Call”

August 11, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to Shaily Engineering Plastics Limited Q1 FY '26 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Sanghvi. Thank you, and over to you, sir.

**Amit Sanghvi:** Thank you very much. Good evening, and a very warm welcome to all the participants to the post Q1 FY '26 Investor call of Shaily. I have with me Mr. Sanjay Shah, Chief Strategy Officer and SGA our Investor Relations advisers. I hope you've had a look at our investor presentation that is uploaded on our website as well as the stock exchange.

So let me start with giving some highlights on the operational performance and business overall. In quarter 1, we have delivered strong revenue growth of 38% year-on-year to INR247 crores with an EBITDA margin expanding by 840 basis points to 28.5%. The growth is attributable to improved traction in our Healthcare segment, which shows a growth of 181% year-on-year to INR77 crores.

The Healthcare segment's contribution to the overall revenue mix has doubled to 31%. Now giving a brief on business update. In the Healthcare segment, in response to increased customer demand, we have installed a capacity, which consists of 19 injection molding machines, an assembly line and a printing line to add an additional 25 million pens capacity per annum.

We intend to have this capacity expansion completed and on stream by the end of Q2 FY '26. We have also received plant machinery for the manufacture of an eye applicator and have also successfully signed a new contract for supply of pens. We have officially started the commercial manufacturing of GLP-1 of pens for semaglutide.

In addition to the above-mentioned capacity expansion, we're also planning an additional line of 25 million pens for one of our other variants of semaglutide pen. We plan to invest a total capex of INR125 crores for the same in FY '26. The set expansion is expected to be completed between the end of FY '26 and the beginning of FY '27.

We are seeing significant growth on our IP-led pen platforms going forward. We're in discussions with multiple customers regarding volume commitments and capacity requirements for the next 3 to 5 years and would be aligning our manufacturing capacity and global manufacturing footprint accordingly.

Our focus is in line with expanding our horizons to include contract manufacturing for medical devices, products featuring our intellectual property and personalized packaging solutions.

We're on track with our guidance expecting health care business to contribute significantly to our revenue and profitability over the next couple of years, thereby enhancing the organizational value.

Coming to the Consumer segment, we have been awarded business for the supply of mixed material products, steel and plastic. We have successfully received business for the supply of male accessories from one of our marquee customers in the FMCG space. We've also seen an improvement in our carbon steel business for the year.

Revenues from the overall segment grew by 14% year-on-year to INR151 crores. We have good visibility across our business segments and confidence to expand our reach and performance. That is all from my side. I shall now hand the call over to Sanjay Shah to give you the operating and financial highlights. Thank you very much.

**Sanjay Shah:**

Good evening, everyone. Thank you, Amit. I shall share with you the highlights of our operational and financial performance of Q1 FY '26, following which we will be happy to respond to your queries. During Q1 FY '26, we processed 7,016 tonnes of polymers as against 5,902 tonnes in Q1 FY '25. Machine utilization rate has improved to around 49% in Q1 FY '26 as against 39% in Q1 FY '25.

We expect utilization levels to improve quarter-on-quarter. Exports during Q1 FY '26 stood at around 76% of total revenue. I shall now brief you on the consolidated results for Q1 FY '26. Revenue stood at INR246.7 crores as compared to INR179.4 crores in Q1 FY '25, a growth of 38% year-on-year.

EBITDA nearly doubled to INR70.4 crores as compared to INR36.1 crores in Q1 FY '25, a growth of 95% on year-on-year basis. EBITDA margins have improved to 28.5%, an increase of 840 bps on a year-on-year basis. PAT has grown to INR41.1 crores as compared to INR17.4 crores in Q1 FY '25, showcasing a growth of 136% on a year-on-year basis. PAT margins improved to 16.7%, an increase of 700 bps on year-on-year basis.

Cash PAT stood at INR52.6 crores as compared to INR27.6 crores in Q1 FY '25, growth of 91% on a year-year basis. Now coming to consolidated segmental revenue breakup for Q1 FY '26. In the Consumer segment, revenue stood at INR151.4 crores as compared to INR132.8 crores in Q1 FY '25, a growth of 14% year-on-year.

In the Pharma segment, revenue stood at INR77.2 crores as compared to INR27.4 crores in Q1 FY '25, a robust growth of 181% on a year-on-year basis. Industrial segment revenue growth stood at INR18.1 crores as compared to INR19.2 crores in Q1 FY '25. We saw a minor degrowth on a year-on-year basis. This is all from our side. Now we can open the floor for Q&A. Thank you.

**Moderator:**

Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Harssh K Shah from Dalal & Broacha.

**Harssh Shah:**

Firstly, congratulations on a strong execution. I have a few questions. So firstly, in the Healthcare division, so the capacity that you mentioned, right, the 25 million getting executed, coming on

stream by Q2 and another 25 million by -- at the end -- between the end of this financial year and the starting. So, is it the number that I'm putting out, correct that our capacity at the beginning of FY '27 would be around 90 million pens in totality?

**Amit Sanghvi:** No. No, it will not be 90 million. The effective capacity will be closer to somewhere between 70 million and 75 million.

**Harssh Shah:** Okay. So, this is post the expansion. So, then what is the current capacity then?

**Amit Sanghvi:** With the expansion that -- there's 2 expansions, right? One that goes on stream by Q2 FY '26. With that, it's about , 45 million. And with the additional 25 million, the effective capacity will become 70 million to 75 million. You have to keep some space here for changeovers and the effective capacity is what we intend to manufacture and sell. And essentially, it's never going to reach 100% of what we're installing.

**Harssh Shah:** Correct. Got it. And also, if you could help us quantify, say, in Q1, what is the number of pens you have sold? And if you could split that between, say, GLP-1 and non-GLP-1?

**Amit Sanghvi:** Good question. Number of pens, I actually don't have that on the top of my head, but we can come back to we can come back to you guys. I'd say the quantum of what we've sold in quarter 1 is our IP-led devices, which contains a mix of GLP-1 and insulin. Again, with GLP-1 taking the lead, which means close to 60% will be -- 60% to 65% will be GLP-1.

**Harssh Shah:** Got it. And also, I mean, if you could give some color in terms of how the momentum is building in terms of, say, the new clientele for GLP-1. So basically, where I'm coming from here is that are you facing any situation wherein your existing customers are demanding more capacities as against, I mean, what probably you would have discussed earlier on?

And I mean, is it safe to assume that, by the next financial year, say, FY '27, the capacity -- the effective manufacturing capacity that you're putting up should be more or less kind of fully utilized?

**Amit Sanghvi:** It's hard to -- it's really hard to give an answer when the product has not launched. Yes, customers are discussing increased capacity, wanting more product or having an adequate buffer to cater to the potential upside. Many such conversations are happening, many such conversations are being negotiated into commitments and contracts.

But as far as '27 goes, whether we'll fully utilize the 70 million, 75 million capacity that we put up, it's very hard to answer that right now. But there's obviously some math and commitment behind setting up the capacity. So, we feel that given a 24 to 36-month kind of time frame, capacity is obviously going to be fully utilized.

**Harssh Shah:** Got it. Last two questions from my side. So, on the consumer part, sir, I believe the U.S. as a geography for us remains to be a very large one. So how has been the response from the end customers in terms of the order ramping up or are you facing any sort of delayed ramp-up or maybe orders getting canceled or anything of that sort? Some color on it would be very helpful.

- Sanjay Shah:** So Harssh, around 16% of the revenue comes from U.S. which is spread across consumer and industrial. Currently, we are not seeing any delays or any request from customer for change in orders or something. But it's a fluid situation. We really do not know how things will pan out. So, I think we will probably know over the next 60 to 90 days in terms of how things are panning out. If you ask us today, I think we are currently making shipments to U.S. as we were doing earlier.
- Harssh Shah:** Got it. And lastly, on the consumer electronic part, so I just wanted to pick your thought. Any role that Shaily may place in the PLI scheme for component manufacturing or anything of that sort? I mean, is there a possibility or I mean, if you could give some color on it?
- Sanjay Shah:** The PLI scheme is very specific for components, for specific components. What we would be looking at is doing multiple components. So, we will have to look at in that perspective.
- Amit Sanghvi:** I think basically, you have the capex incentive and sales turnover incentive. The capex incentive, the deadline has passed and so that is no longer applicable to us. But we will be applying for a sales turnover incentive.
- Moderator:** Next question is from the line of Anant Jain from HNI.
- Anant Jain:** Congrats on a great set of numbers. My first question is on the teriparatide launch by our customers. And when do you expect -- or when can we expect the first Shaily own IP product in the market? It's almost been a year that we had thought it would come in. So that's the first question.
- Second question is, how are our new lines coming up? Any challenges that you are seeing to run our lines at 80 parts per 80 ppm and even 160 ppm? How much of our capacity is current 40 million and eventual 70 million to 80 million are backed by customer commitments? And how much are backed by customer commitments and how much are backed by customer advances, if you could just give that?
- What is the market share in terms of number of customers filing for Canada/Brazil/India, like separately, like if there are like 10 customers filing for Brazil, then how many are through Shaily device? Are we also looking or any of our customers looking to launch a pen in China as well?
- You mentioned in the call that there is one new customer which got added for GLP-1 in Q1 FY '26. Which platform is this customer on? And in general, is it fair to assume that -- or if you could give some idea which platform is the most used platform or most platform that the customers are looking to go with as of now? I have many more questions, but I think if you can answer these, and I will come back with later?
- Amit Sanghvi:** Teriparatide launch, really fingers crossed. There's no further CRLs to our customer should be this year -- this calendar year, at least. I don't know what the timing are, but we have obviously supplied batches. Now it's about just when they get approval to launch. That's to the first question. Second was on capacity.
- Anant Jain:** On the lines, 80 ppm and 160 ppm.

- Amit Sanghvi:** Our 40 ppm line is running actually quite well. We have an overall equipment effectiveness of roughly 81% to 82%. That is what we expect from the new lines as well. So, we think somewhere you would max out at 85% uptime. So, the OE is never going to go beyond 85%. It will be somewhere between 80% and 85%. Does that answer the second?
- Anant Jain:** No, I'm more interested in the newer 80 ppm and 160 ppm?
- Amit Sanghvi:** The 80 ppm line will now be installed. So, we have not installed it yet. The 80-ppm line is going to go on stream over the next 60 days. And I think it will be at least 6 months beyond which we will be able to comment on what is the overall efficiency that we're getting. Your third question was what is our most durable capacity and how much of it is backed by customer.
- Out of the total, let's say, 70 million, 75 million pens that we are setting up capacities for, I'd say somewhere between 50% and 60% would be backed by commitments. And again, they're not -- the commitments don't run exactly a financial year. They would run a period. So it could be more in some years, potentially less in some others.
- It's hard to comment right now. But it's -- let's say, 50% to 60% is backed by some sort of a commitment. Third -- sorry, fourth question was regarding customers focus in Canada and India. I think I can comment on Canada. Brazil, again, our customers also licensed to other pharma companies.
- Now that information is not always updated with us particularly. So, I'll let Brazil be. But I think in Canada, if I look at all the filers which are available in the domain -- public domain right now, I'd say 70% are ours. I'd say 60% to 70% are Shaily's.
- Anant Jain:** India?
- Amit Sanghvi:** India, again, we would have a very significant share. And that number should remain more or less the same across various geographies. Do we have a customer taking the pen to China? Not that I'm aware of right now.
- Anant Jain:** Which platform is a new customer that got added?
- Amit Sanghvi:** Neo, and Neo is likely to be our highest selling platform over the next 5 years.
- Anant Jain:** One or two more questions, which is how many customers did we supply Tirze exhibit batches in -- we have supplied in Q1 and will you supply for the rest of the year?
- Amit Sanghvi:** Sorry, can you repeat the question, please?
- Anant Jain:** So can you give some information about Tirze exhibit batches that we have supplied for how many customers.
- Amit Sanghvi:** I mean, this has been over the last -- what you -- over the last, I guess, 24 months. Is that the question?
- Anant Jain:** Yes.

- Amit Sanghvi:** I'd say probably -- I think same -- even same customer as new variants of semaglutide are added by the innovator, we also supply those variants to existing customers, right? So effectively today, I think there are now 11 variants of semaglutide across various strengths and cartridge sizes. So, I would say last two, three months, we would have supplied to 3 customers exhibit batches.
- Anant Jain:** Okay. Last question from my side is this eye applicator plant and machinery supplied by the customer. How big is this opportunity for us? And when can we start seeing this in numbers?
- Amit Sanghvi:** We are in the process of qualifying the full asset base. Post qualification, there will be an approval time, not a very long approval time, but I think by Q3, we should start supplies of the -- sorry, Q4, we should start supply. Q4, we should start supplies of the application.
- Anant Jain:** What would be the size -- annual size of this product?
- Amit Sanghvi:** I mean I think that maturity would be somewhere around INR25 crores of business.
- Moderator:** Next question is from the line of Mohd Harris from Monarch Network Capital.
- Mohd Harris:** Sir, my questions pertain to the current pen capacities we have. So, can you give the split between GLP and non-GLP and also our own IP, pen platforms and third party? And on the additional capacity we are setting up, could you give the same split as well?
- Sanjay Shah:** So, Mohammed, I think when you look at the current 40 million to 45 million capacity, it's fungible between our own pen and contract manufacturing. So that capacity is fungible? Effectively, at the end of the year or let's say, by beginning of '27, we'll have roughly 45 million GLP-1 pen capacity and balance in non-GLP-1. And all the new capacity which we are creating is basically for our own pen platforms.
- Mohd Harris:** Okay. And can you also share the incremental capex that would be done over this financial year and the next one, including the current expansion.
- Amit Sanghvi:** That was part of my speech that we're doing INR126 crores capex.
- Mohd Harris:** Okay. And -- last question is regarding the capex we are doing; will we incur any land costs in terms of if we will be doing the expansion will be Greenfield or Brownfield?
- Amit Sanghvi:** We don't require any land -- additional land for the capex that we've already --
- Sanjay Shah:** INR125 crores capex is being done in the current plant, which we have which is there. And any new expansion, which we do also will always be greenfield, but not be brownfield.
- Mohd Harris:** Okay. And if you could also mention the utilization figure for the Pharma segment, that would be helpful, sir?
- Sanjay Shah:** We don't report that individually. We report utilization only at the committee.
- Moderator:** Next question is from the line of Gautam Trivedi from Nepean Capital LLP.

**Gautam Trivedi:** Great set of numbers and really amazing progress. Question I had was with respect to the diabetes and GLP-1 in particular. India clearly is home to 100 million -- unfortunately, 100 million diabetic patients and probably another 30 million, 40 million, 50 million who haven't got themselves tested. So, the market clearly is vast.

Question really is with respect to injectables versus tablets. What's your view on that? Because I mean the prices will come off starting January 2026. But how do you view that? And is that potentially -- I wouldn't use the word threat, but is that something that could impact your ability to add more capacity?

**Amit Sanghvi:** So, I will answer that, Gautam, in 2 ways. First is citing the latest published study by Lilly on Orforglipron, which showed only a weight loss of 12% -- 11%, sorry. That's the first thing. So fairly significantly under the actual numbers of injectables right now. Second, I think -- and again, I'm not in the manufacture -- in the business of doing pharmaceuticals.

But what I understand from the experts in the industry is that the bioavailability of the oral is one-tenth or one-eighth of the injectable, which means the effectiveness is very low. And therefore, when you look at the orals, you see a very significantly higher API content in the tablet, even what I believe Novo is going for in the U.S if I'm not mistaken.

It's a 25 or 50 mg daily tablet against the highest dose, which is currently available in injectable is 2.4 mg for the whole week, once a week. So, you see the economics 50x, 350 mg in a week versus 2.4 mg in a week, the math really has to add up. Now will tablets, orals take a market.

Yes, I think orals are predicted to have somewhere around 20 -- between 20% and 25% of market share. That's always going to happen. I believe injectables for the foreseeable future will continue to dominate, especially when orals are only going to be available from innovators, but you will definitely see injectables domination on the generic side.

**Moderator:** Next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** Congratulations for a great set of numbers. On the pharma front, we have recorded almost INR75 crores of revenue for the quarter. Given how the launches are expected -- the prelaunch quantities that we'll be supplying going forward in Q2, Q3 and Q4, can we expect that this will be the new base for the pharma, and we should start growing from this in the subsequent quarters?

**Sanjay Shah:** So, Ankit, you're right that this is the start of it and bulk of our revenues on the pharma business in terms of GLP-1s will happen in Q3 and Q4. So, you should look at higher revenue from the pharma business as we move forward.

**Ankit Gupta:** Sure. And on the consumer electronics side, have we got any approval from some sort of our products from our customer? And do we expect some of the revenues to start from FY '26?

**Amit Sanghvi:** Without commenting on any specific project or customer, we do expect to accrue -- we do expect to start revenue either by the end of this year or early next year.



- Ankit Gupta:** Two questions on the technical side. As you are saying, Neo is expected to be a very good product. So, have you done any comprehensive human factor studies for this spend? And how has been its error rate compared to the RLD device or the innovator device?
- Amit Sanghvi:** No, we've done -- I mean, yes, we have customers who've done the human factors on our devices. And the best thing about the Neo is that it doesn't actually require human factors because it's a like-to-like device.
- It's not a device with any differences against the innovator, which is why you don't -- the other mechanical devices require comprehensive human factor studies to prove that they have the same rates of error as the innovator. Whereas the Neo doesn't because it's a spring-driven device. Having said that, yes, we have data available, which tell us exactly how the user behaves with the device.
- Ankit Gupta:** Sure. And sir, one thing on the pen assembling and fill/finish speeds. Like what we understand is from the fill/finish side as technologies evolve, the pen assembling finish speeds improve. So, are pens able to sustain higher PPM speeds compared to our competition? And if yes, what is the maximum PPM that pens can support?
- Amit Sanghvi:** I think the pens can very well support 300, 400 or 500 parts per minute line where we have not tested it. I think our largest line that our customers have procured is 160 parts per minute line. So, I don't see a challenge in terms of pen not being able to manage the high-speed assembly line.
- It's designed for high-speed assembly. And you have to keep in mind the Neo is an in-licensed product, right? So, the Neo was developed by one of the largest innovators in the world experts on pen devices. And it's an in-licensed product, which means it is very capable of running at upwards of 300, 400 parts per minute.
- Ankit Gupta:** Okay. Okay. Just last question. Do we make our cartridges PFS in-house? And if not, like are pen compatible with PFS cartridge from just 1 player or 2, 3 players or multiple players?
- Amit Sanghvi:** Our pens are compatible with the ISO standard of cartridges. So, there's an ISO standard for 3 ml, 1.5 ml, 1.8 ml cartridges. Our pens will be compatible with all of them.
- Ankit Gupta:** But we don't make them in-house?
- Amit Sanghvi:** No. I mean, we don't do any glass manufacturing, so.
- Moderator:** Next question is from the line of Dhwanil Desai from Turtle Capital.
- Dhwanil Desai:** Sir, my first question is regarding Shaily U.K. So if you can give some sense in terms of number of customers added, number of new projects and whether anything on the innovator side? And also, our employee cost has increased significantly because we were hiring a lot of people there at a top level. So, when do we see the resultant increase in that business, Shaily U.K., Dubai? So how should we look at that from FY '26, FY '27 perspective?

**Amit Sanghvi:** I mean, we've got some very nice projects ongoing in Shaily U.K. Some are confidential, which I will not be able to comment on, but we have a new product launch coming up at CPHI in October in Frankfurt. We're very much looking forward to that product launch.

It's what we think is the next generation of GLP-1 devices, and it's targeted towards large innovator pharma. So, there's a lot of user research and studies have gone into coming up with a set of functionality for that device, and we intend to showcase it at CPHI in October.

**Dhwanil Desai:** That's very encouraging, sir. So, for such products, do we work -- our design team works on their own or does it -- is it based on the feedback from some innovators with whom we have done this tie-up, and we are jointly developing this part?

**Amit Sanghvi:** No, we're not jointly developing it. We work on technology ourselves based on user research feedback, looking at -- if you look at the mass database, it will essentially have information on issues with the current devices on the market. You look at human factors, videos, you get a sense of what is lacking.

So, you then look at trends of what people are -- patients are generally doing, and which is what you base your device on, add sustainability to the equation and then you come up with a set of traits that you want in your device. And that's how we've developed it.

**Dhwanil Desai:** Sir, on the industrial side, I think we were -- we had won that large projects and on the North side also our supply had started. But on Q1 FY '26, I think we saw a slight negative growth. So, can you help us understand, have we lost some business, or this is just a shift of business from a quarter-to-quarter?

**Sanjay Shah:** We have not lost business. A lot of this also depends on -- if you look at quarter 1, we had a launch happening in quarter 1. So, we had large volumes in quarter 1 last year, which has evened out in the current quarter. But otherwise, business continues to remain steady, and we continue to add business there.

**Dhwanil Desai:** Okay. Got it. And sir, you talked about some improvement on the carbon steel business. So, are we expecting breakeven this year or -- and I think eventual goal was to reach to company level or at least consumer side of the business level margins over a period. So how should we look at that business for this year and next year?

**Sanjay Shah:** EBITDA level, we were positive last year. We hope that, yes, we would be at a net level -- probably end the year on a positive basis. We see -- if you look at it, we have added businesses in the last 2 quarters, which we should be commercializing between quarter 3 and quarter 4. So, you would basically see again revenue going up from quarter 4 onwards into next year. Simultaneously, we are looking at adding more products and adding volumes on existing products. So, I think revenue should go up next year also.

**Moderator:** Next question is from the line of Rupesh Tatiya from Shree Rama Managers PMS.

**Rupesh Tatiya:** Congratulations on a fantastic results. I have a few clarifications on -- to the responses you gave to one of the earlier participants. So first, I mean, one question, sir, is these 10 assembling

devices that the fill finish formulator guys have to buy, the three, four vendors is my understanding. Tofflon is there, EMA, Micron is there.

So, are these guys now able to provide 10 assembling machines to the fill/ finish formulators? Is there like one or now many of them can provide 10 assembly machines?

**Amit Sanghvi:** I mean you've got a dozen companies who -- or maybe less than a dozen, but close to 10, 12 companies globally. You have ATS, you have EMA, you have Micron, you have Harrow, you have Team Technip, you have Tofflon out of China. You have -- I'm sure there's 3 or 4 more available. But yes, they can all provide an assembly machine. Is that the question?

**Rupesh Tatiya:** Yes, yes. So, I mean, there will not be any supply issue, right? If the fill/finish guys want a machine to assemble, these people have already ready machines, especially Neo & Harmony Everything is like sorted from a supply chain point of view?

**Amit Sanghvi:** There are no ready machines. They are ready platforms. And the platforms then need to be customized for the device. And one machine can handle multiple devices. But again, it has to be designed in that manner. Having said that, I think machine manufacturers are quite busy right now. So, is there a capacity constraint? I don't think there's free capacity available anyway. So, you'd have to -customers would need to plan this well.

**Rupesh Tatiya:** Okay. Clear, sir. Sir, the other question is for Shaily Neo. I mean, you are very confident that it's similar to R&D device. And I think in one of the older calls, you have said that you have taken a lawyer opinion that we will pass any patent challenge. But if in case -- in Canada, do you expect the patent challenge?

And in case, let's say, in worst case scenario, we don't pass through the patent challenge, then do you have the CUHF regulatory support that you can provide your customers after the patents expire? I mean I know some of these patents will expire in '26. So, there are 2 questions there. So, can you please answer those?

**Amit Sanghvi:** What is the question again? Could you repeat like I think regulatory support for a patent challenge is not really needed? We provide our customers anyways.

**Rupesh Tatiya:** In Canada, do you expect patent challenge for Shaily Neo?

**Amit Sanghvi:** No, I don't. But patent challenge will depend on -- there's nothing that prevents someone from litigating against one of my customers. There's a lot of extensive FTO work done on the pen and not today. This was done over the last 3 years. Customers have verified the FTO against -- with their own attorneys. And so, we feel good that we shouldn't have any -- and again, having an FTO doesn't prevent someone from litigating anyways.

**Rupesh Tatiya:** Okay. And then, let's say, my understanding is some of the spring-related patents expire in June or July '26 in Canada. So, let's say, if we are some -- in unfortunate scenario, we can't launch till July '26. After July '26, if regulator asks you for a CUHF user study, formative CUHF study, have we done that study? And you didn't answer to earlier question, how is our rate compared to what is our user rate compared to an R&D device?

- Amit Sanghvi:** Again, my question to you, Rupesh, is that what does a user study have to do with the patent challenge? I mean, the regulator is not concerned with patents. The regulator is concerned with the effectiveness of the therapy and they're approving it. Am I understanding this incorrectly, maybe?
- Rupesh Tatiya:** Your pen would be different, right, sir, in case if your pen is deemed different from the innovator, then you have to do?
- Amit Sanghvi:** It's not different. That's what you're saying. The Neo pen is not different than the innovator.
- Rupesh Tatiya:** But then if it is not different, then they might be -- So that's what I was trying to understand both sides of the equation. I got my answer.
- Amit Sanghvi:** Just because it functions the same way as the innovator does not mean that the internals are the same as the innovator. I mean there are 7 mechanical pens or 10 mechanical pens on the market today, each function the same way, but the internals are all different for each of them.
- Rupesh Tatiya:** Okay. Okay. Clear, sir. And then my final question, sir, is in Brazil, Wegovy will be launched with Ozempic, or it will be launched maybe a year later. There is some technical issue there. So maybe if you have some view on that?
- Amit Sanghvi:** Good question. I actually don't know, but there's a possibility to launch together. And there's also a possibility depending on when the customer filed the individual variant that it comes on stream a little bit later.
- Moderator:** Next question is from the line of Ritesh Shah from Investec India.
- Ritesh Shah:** Congratulations on a good set of numbers. Sir, first question is, have we started to take advances from the customers either for capex or on commitment of capacities? If you could quantify those numbers, that would be great.
- Amit Sanghvi:** No, that is confidential, Ritesh.
- Ritesh Shah:** Okay. But are we progressing on taking money from clients? Is it for capex or is it for volumes? Like -- or is it both?
- Amit Sanghvi:** We don't take money from any customer for capex. We basically -- it's a business agreement that, okay, if someone is committing an X volume over a period of time, then the commitment towards that volume -- towards supply basically.
- Ritesh Shah:** Okay. So, nothing on the capex side. Great. Okay. My second question is, why is it that you are not looking at capacities beyond 100, say, 100 to 200 given the lead times to set up the machinery and stuff that we do, the lead times are quite long. Any particular thought process? Or we just would prefer to be conservative?
- Amit Sanghvi:** No, we are looking at large volumes. The only thing is that we don't think having one line with 300 parts per minute is a good idea. So, we've done a lot of evaluation on capex versus cost and complexity. And we've figured out that the most optimal capex cost is actually at 80 parts per

minute. So, we will have multiple lines of 80 parts per minute, but never go into 300 sort of -- because first, just to give you an understanding, cost difference between 80 parts per minute line to a 300 parts per minute line is in the region of 5, 4 to 5x. It doesn't make sense.

**Ritesh Shah:** Okay. My question is more from going from 100 million pens to 200 million pens, the manufacturing capacity, assuming 80 is...

**Amit Sanghvi:** Yes. I mean we will do the capacity addition as and when we feel we see the commitments from customers coming in. And I think all of our customers know that we have an 18-month lead time to add capacity.

**Ritesh Shah:** All right. But I would presume like if we have given certain numbers of effective capacity, say, 75 million to 80 million by FY '27, a good part of it would already be booked by the customers. Wouldn't that be the base case?

**Amit Sanghvi:** Yes, that's what we said in the call as well that yes, there is commitments based on which we are building the capacity. And yes, but like I said on my call, there's the product hasn't launched yet anywhere -- so any number that anyone gives you is -- can change, can be very high or could be low. We really don't know.

**Ritesh Shah:** Okay. So, what will be a milestone that we will look at on this \$80 million -- basically, what is the milestone by when we will actually look to go ahead for the next big phase of expansion?

**Amit Sanghvi:** Us signing on maybe capacity contracts. So, as we sign them on, we look at how much expansion we need to do over the years and when those expansions need to come on stream.

**Ritesh Shah:** Sure. And last question, is there any update on any large orders or any work we are doing for any consumer electric companies?

**Amit Sanghvi:** No, no update. I said the previous question -- one of the previous questions I answered was that we should see some revenue end of this year, beginning of next year. But apart from that, there's no update.

**Moderator:** Next question is from the line of Sanjay Kumar Elangovan from ithought PMS.

**Sanjay Elangovan:** Congratulations on very good numbers. First question, just a follow-up to a previous question. So, you said 50%, 60% of capacity is backed by customer funding. So, let's say, if our capacity is 70 million, 75 million, does it mean FY '27, we can do 35 million if these customers get approval irrespective of their market sales, offtake, whatever that is?

**Amit Sanghvi:** If we set up the capacity, we have the capacity to manufacture, but it's very important the customer gets approval and has the volume, right, without that what am I going to ship to.

**Sanjay Elangovan:** Yes. I understand that they have to get approval. But once it's in place, we will start supplying to them. I'm just trying to understand what this customer backing is. Do they pay for the volumes, or do they pay for the minimum offtake agreement or something like that or?

**Amit Sanghvi:** Okay, yes. So, most of them would be take-or-pay contracts some would bring.

- Sanjay Elangovan:** Add volumes, right?
- Amit Sanghvi:** Yes. Again, they don't have to take 100% of the volume that we are building. We build an upside for the customer as well when we get into such contractual agreements. So, we keep an upside buffer for the customer if the market expands a lot faster than they've anticipated. Is always kind of a realistic number or a pessimistic number. That is what an agreement is based on.
- Then the capacity is based on what we think is going to sell.
- Sanjay Shah:** A customer comes back and tells us, it's taking me some time for that approval. We'll obviously wait for that customer to get approval.
- Sanjay Elangovan:** Got it. So, what would be the realistic number for FY '27, sir?
- Amit Sanghvi:** So, again, we will comment after the product launch. I know the numbers for this year, which is building up for product launch, but then that stock needs to be consumed, right? So, we will comment on that only towards the end of the year.
- Sanjay Elangovan:** Okay. Second, INR77 crores from health care in Q1. Will Q2 have a similar run rate or were there any one-offs in Q1?
- Sanjay Shah:** There are no one-offs in Q1. No one-offs. And Q2, I mean, yes, we should do well in Q2 as well. Run rate so far, so good.
- Sanjay Elangovan:** Okay. So, my final question is on Canada. So far, 5 filings according to the regulators' website. Of these five, how many are -- because I understand that there are two Indian companies.
- Amit Sanghvi:** I think we have 60% of generic market share on semaglutide across the markets that are opening up.
- Sanjay Elangovan:** Okay. But -- and any customers launching Wegovy when the patent expires in Jan or March 2026 or is it only Ozempic?
- Amit Sanghvi:** I think most customers have filed Ozempic first and Wegovy later. So, it will follow the same process, likely to get approval for Ozempic first and Wegovy after.
- Sanjay Elangovan:** Okay. Final question, sorry. So, Harmony, I understand Neo is very similar to innovator spend, but Harmony is a different, right? So, have you done their other metrics similar to the innovative spend in Harmony? And do you see any risk in our customers getting approval with Harmony?
- Amit Sanghvi:** Harmony, we've done the very detailed human factor study. So, we have proven to the authorities that the success rate, error rates are set out the exact same as the innovator. So yes, I think -- I mean, so far, regulators haven't raised any concerns. So, I think safe to say that we should be in a fairly good position.
- Sanjay Elangovan:** Okay. So, the 25 million initial capacity capex that we're doing is for Harmony, I'm guessing?

**Amit Sanghvi:** We're doing 125 million for Harmony and 125 million for Neo, which is the Neo capacity comes in at the beginning of FY '27.

**Moderator:** Next question is from the line of Aman Thadani from Solidarity Investment Managers.

**Aman Thadani:** Most of the questions have been answered. I have just one question. So, the margins in the services business has been declining in the healthcare services. So just wanted to understand the key reasons behind it. And when do you see it turning back to again 70% EBITDA margins that you have done in the past?

**Sanjay Shah:** So, Aman, there are two things to it. We've been adding people there for development. So, we have a higher employee cost, and we are expensing that out as we speak. So that's one reason for the higher employee costs.

**Amit Sanghvi:** I think you will see the margins improve on the service side from this quarter.

**Aman Thadani:** Got it. Sir, a follow-up to that is since we are investing behind people and new products, and we are going to demonstrate that in the CPHI as well. So, could the future for this segment in terms of growth be meaningfully different versus what it has done in the past?

**Amit Sanghvi:** Yes, because our -- look, our primary objective now is to target big pharma, while we scale up, what is the pipeline? In the pharmaceutical business, you need to have a kind of a 7-, 10-year game plan. Even if it changes frequently, you still need a game plan. So, the strategy is very simple.

You scale up the businesses and the products that you've developed. Simultaneously, you need to look at developing breakthrough stuff on which there isn't a like-to-like device out there to target big pharma with their next generation of therapies. Now GLP-1 is one area, but there are many other areas that we are doing innovation in as well.

So, core objective is to spend more on innovation and come up with new technologies. I mean, look, pens have sort of become B2 products now, right? Because of the GLP-1 market and how large it is, everybody wants to do pens. So, we need to develop the next generation of drug delivery, connected -- connected drug delivery. There's a lot that goes on. There's a lot that is going to change in the industry. And our target is big pharma.

**Moderator:** Next question is from the line of Pritesh from Lucky Investments.

**Pritesh:** Sir, I just want to clarify on the expansion. So, we called out 17 million pen capacity by the end of this year. And we call out another INR125 crores to be invested for another 25 million pens? That's how it was?

**Sanjay Shah:** No, no, no. Pritesh, we are investing INR125 crores over the next 12 to 18 months for the 50 million capacity, which is being created in two steps, 25 million, 25 million.

**Pritesh:** Sorry, you need to come back again. INR125 crores to be invested over 12 to 18 months?

- Amit Sanghvi:** Correct. 25 million capacity is coming on stream, let's say, end of this quarter, right? End of the current quarter. The other 25 million will come on stream in Q1 of FY '27. So, with these 2, it's INR125 crores investment that we are looking at.
- Pritesh:** So that 20 million to 70 million is basically all-inclusive, is basically this 70 million that you are going to?
- Amit Sanghvi:** It's hard to put an exact number, but yes, somewhere in that range. Please keep the 15%.
- Pritesh:** Okay. So as of now, the expanded capacity will be 70 million by the end of quarter 4 or quarter 1 '27, whatever will be timeline?
- Amit Sanghvi:** Correct.
- Pritesh:** Okay. And what kind of 70 million pens or 75 million pens capacity this will operate at 80% utilization or this is equivalent to that 80% utilization 70 million?
- Amit Sanghvi:** Yes, it is equal to the 80%. Yes, exactly. So, 70 million is 80%, 85% capacity.
- Pritesh:** And this capacity in your best guess, you should be utilizing it fully by FY '28?
- Amit Sangh:** Yes, that's the target. That is our estimate also, but earlier -- can be earlier, can also be -- I mean that's what we're basing our projections.
- Sanjay Shah:** So, Pritesh, a lot of it will depend on when launches happen and how is the response to those launches.
- Pritesh:** Yes. So as of now, based on the best guess, that's what I asked?
- Amit Sanghvi:** Yes, you're right. That's what our internal target is as well.
- Moderator:** Next question is from the line of Aman Vij from Astute Investment Management.
- Aman Vij:** I had two questions. One on the pharma business. So tirzepatide exhibit batches was supposed to happen in Q1. So, did it happen or do we expect it to happen in Q2 now? That is the question on pharma?
- Amit Sanghvi:** It happened in Q1, and it is also ongoing right now.
- Aman Vij:** Okay. But we had -- we were thinking of supplying to 2 to 3 customers. So that will happen eventually in the next 1 to 3 quarters, right?
- Amit Sanghvi:** No. I mean I think with the N minus 1 date, it has to -- all supplies need to finish by, I think last would be end of October. It cannot go beyond end of October. If you are -- if a customer is targeting NB minus 1.
- Aman Vij:** And we have only three customers for it right now, right?
- Amit Sanghvi:** Correct. We don't know we are targeting NB minus 1.



- Aman Vij:** Okay. But now it will be too late for anyone to approach you and we target that.
- Amit Sanghvi:** Yes. That's too late.
- Aman Vij:** Okay. Second set of questions is on consumer business. So, it was interesting to hear that there's this mixed metal business, which you won. I think that was a plan from a long time. Could you talk about, is that business scalable like the carbon business, even bigger opportunities there? What kind of -- like if you can paint a picture for next 2 to 3 years for this particular segment because I believe this is a very big market?
- Amit Sanghvi:** If we put aside what's going on globally economically for a second, then the business is very scalable. There're enough opportunities to do mixed material, many, many products where you do plastic and metal together. So certainly, our business is scalable. Now we don't know what's going to happen, essentially a little bit of uncertainty because of tariffs and a little bit of uncertainty because of whatever is happening in Europe economically. But in general, as a business, it's very scalable.
- Aman Vij:** Sure, sir. Final question is we had gotten 2 more customers for consumer business apart from our anchor customer. How is that scaling up well? Can these customers contribute meaningfully to our business over the next 1, 2, 3 years or this is like a small opportunity, good customer? And any more such customer tie-up we are looking for?
- Sanjay Shah:** We continue to work with these 2 customers and look at opportunities.
- Aman Vij:** But Sanjay, sir, can this be a scalable business or this is like a small, small kind of business opportunity, not meaningful?
- Sanjay Shah:** It can be -- it can be a scalable business. I think it's important for us as well as the customer to understand each other, which is what we are trying to do. And I think over the next 3 years, it can become a sizable business.
- Moderator:** Next question is from the line of Kishore Kumar from Unifi Capital.
- Kishore Kumar:** I just wanted to understand how the realization is shaping up for the GLPs. Since like the commercial supplies have started now for semaglutide, is it at a broad level? Or has it increased now?
- Amit Sanghvi:** Realization are they increasing or what's happening on realization. Right now, it's exhibit batches in most cases.
- Amit Sanghvi:** Yes. I think for -- we have started commercial supplies manufacturing for the GLP-1, and the realization will more or less -- I mean with the volume, the pricing obviously is different. So, you will see that impact.
- But I think with the mix of the product we have, more focused on GLP-1 than insulin right now, even as the volumes are going to be this year, we are going to be well protected on the margins.

- Kishore Kumar:** Got it, sir. If you could give some broad number for the realization for the GLP pens, that would be helpful?
- Amit Sanghvi:** Sorry, that will not be possible.
- Kishore Kumar:** Got it, sir. Okay. And if you can actually give us how much like proportion is going for the exhibit batches vis-a-vis the commercial supplies?
- Amit Sanghvi:** What you will see, Kishore, is that quarter 3 and 4 will be very heavily sided towards commercial supplies. Quarter 1 and 2 will have a mix. Again, commercial supplies will be 50% or more, but quarter 3 and 4 will be substantially leading towards the commercial supply.
- Kishore Kumar:** Understood, sir. And my final request is, if you can give us the volume supplied in Q1, that will be great, sir?
- Amit Sanghvi:** Someone else asked that question, but I don't have that number off the top of my head. I apologize, but we will have that answer ready.
- Kishore Kumar:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.
- Amit Sanghvi:** Thank you, everyone, for joining the call. We hope that we've 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 and have a nice evening.
- Moderator:** Thank you, sir. On behalf of Shaily Engineering Plastics Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.