



**“Shaily Engineering Plastics Limited Q4 FY'16
Earnings Conference Call”**

May 20, 2016



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



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**MR. SANJAY SHAH -- CHIEF FINANCIAL OFFICER AND
VICE PRESIDENT - FINANCE, SHAILY ENGINEERING
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Moderator: Good morning, ladies and gentlemen, welcome to the Shaily Engineering Plastics Limited Q4 FY'16 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Amit Sanghvi – Managing Director of Shaily Engineering Plastics Limited. Thank you and over to you, sir.

Amit Sanghvi: Thank you 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 by Mr. Sanjay Shah – our CFO and SGA, our Investor Relations Advisors. I hope you have had a look at our results update presentation that is uploaded on our website and the stock exchange. I will just give you a brief on the progress in business during quarter four and then hand it over to Sanjay to talk more about the financials.

We are very glad to share with you that during the quarter we have started manufacturing and supplying LED casings to a company called CORVI which is based at Bombay. CORVI use it import these casing from China. And we have been successful in becoming an import substitute for CORVI which is in line with Governments “Make in India” initiative. Going further, we expect this segment to do very well. Everybody is aware of the Government’s push towards LED lightning and the subsidy that the government are giving us. CORVI also has plan to capture the Indian market by launching store outlets and they have also filed several patents some have been granted, they have also won the Red Dot Design Award so we are very bullish on this business.

Progressing to the next level of growth, as some of you may be aware that we have forayed in Healthcare about 18 months ago, we set up a brand new ISO class 8 clean room facility at Rania, Gujarat to manufacture Primary Packaging, Child Resistant Caps, Tablet Bottles and Primary Packaging for Liquid Formulations.

I am very happy to announce that we have finally received all approvals from two major pharmaceutical clients in Q4. We expect to start sales in Q1 of FY'17. So we are looking forward to increasing our business in Healthcare and it’s going to be a long journey, our focus is primarily on the Healthcare business at the moment.

We reported a good quarterly as well as yearly performance with an overall growth of little over 25%, this in a scenario where weak raw material prices actually led to decrease in customer prices. So while our volume has gone up from significantly on a product to product basis from FY'15 to FY'16, our revenues have only gone up 25.5% which is because of the raw material prices being weak. But I am also happy to say that we are on target, we are moving towards achieving our target of \$100 million by the year 2020.

Company has also declared a final dividend of 40%, Rs. 4 per share for financial year 2016 of course, this is subject to shareholder approval.

So that is all from my side, I will hand it over to Sanjay, our CFO who will take you through the financial performance of the Company. Thank you.

Sanjay Shah:

Thanks Amit and very good morning to all the participants. I will share highlights of our financial performance following which we will be happy to respond to your queries.

To begin with Q4 FY'16, company registered revenue of Rs. 54.2 crores that is a year-on-year growth of 11.2% from 48.7 crores in the same quarter last year. EBITDA at Rs. 10.9 crores from Rs. 8.9 crores in Q4 of FY'15 growth of 22.1% year-on-year. EBITDA margin is 20.1% in Q4 FY'16 from 18.3% in Q4 of FY'15, expansion of more than 180 basis points.

Net profit for Q4 FY'16 is Rs. 4.1 crores and net profit margin is at 7.6%. What needs to be understood is in the current year we were under full tax while last year we were in the MAT, we had the MAT credit available.

Cash PAT at Rs. 7.7 crores as compared to Rs. 6.3 crores in Q4 of FY'15, this basically implies a growth of 22.4% year-on-year. Cash PAT margin is at 14.2% in Q4 of FY'16 as compared to 12.9% in Q4 of FY'15. This also indicates expansion in margin by about 130 basis points.

Coming to FY'16 results for the whole year; company registered total revenue of Rs. 225.5 crores, year-on-year growth of 25.5%. This as Amit said earlier, is a keeping in mind weak raw material prices which basically translated into lower prices to customers.

EBITDA during FY'16 was at Rs. 41.8 crores that is a growth of 49.1% over last year. EBITDA margins expanded by 290 basis points to 18.5% for the whole year. Profit before tax for FY'16 stood at Rs. 21.4 crore, growing at about 43.8% year-on-year from Rs. 14.9 crores in the same period last year.

Profit after-tax in FY'16 was at Rs. 15.5 crores as compared to Rs. 13 crores in FY'15. Profit margin during FY'16 is 6.9% as I said profit after-tax in this year we were under full tax as compared to MAT we were availing its credit last year so that is the difference between FY'15 and FY'16.

Cash PAT at Rs. 25.7 crores as compared to Rs. 19.4 crores for last year, represents growth of 32.5% year-over-year. Cash PAT margin 11.4% as compared to 10.8% for whole of the year.

The business growth in top-line across all segments. If we look at exports, our exports have actually grown at a much faster pace and this is in a scenario where overall export for the whole country has come down. Exports for Shaily have probably grown at about 50% as compared to last year, yeah, a little over 50% last year.

I think this is all from our side; we can now open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Just wanted understand on this child closures bottle side after getting the approvals now what kind of utilization of facility do you expect in FY'17 and I think there is some delay in this particular facility. So if you could some thoughts there.

Amit Sanghvi: See we build our pipeline, the pipeline we have represents about 70% of our utilization, what we will actually realize in the financial year might be about 35%. As we move from April towards March of 2017 we will probably be at 75% to 80% utilization by March of 2017.

Pritesh Chheda: Okay. And any reason for some delays here?

Amit Sanghvi: It is not actually a delay, I would say that it takes time to get approvals in place from customer and you are also looking at a scenario where the FDA has really been aggressive with Pharma companies in India so company do become slightly more resistant to change.

Pritesh Chheda: Okay. And my second question is on the top-line of 25% if you could help us dissect it in terms of the volume side which will be a function of obviously the material process? And second, if you could help us dissect the top-line into how much IKEA grew, how much Pharma grew and how other segments grew?

Amit Sanghvi: Sorry, Pritesh, I will not be able to answer any specific question to IKEA.

Sanjay Shah: Because if you look at the volume growth, volume growth between FY'15 and FY'16, we have achieved a volume growth of 66% in terms of the total polymers we have processed. So we have processed 66% more polymers in FY'16. We have not been reporting individual segment wise information in terms of across broad industry segments which we do.

- Amit Sanghvi:** But if you remember our presentation, our ratios will remain more or less the same however when you take the top two out which is Home Furnishing and Healthcare, we have significantly increased our business in Automotive and FMCG.
- Pritesh Chheda:** You have increased the business in Automotive and FMCG.
- Amit Sanghvi:** Right.
- Pritesh Chheda:** So is it safe to assume that Healthcare and IKEA would have broadly grown the company growth and the top other businesses would have grown faster than the company growth?
- Sanjay Shah:** Pritesh, I would refrain.
- Amit Sanghvi:** The latter that he said the other two segments have grown yeah, leaps and bound.
- Moderator:** Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel:** Question on this Cap and Bottle, you mentioned about achieving 80% utilization by end of this financial year 2017. Is it based on these two customers for whom you have received the approval or are you looking towards more customers?
- Amit Sanghvi:** No, we already have pipeline, so first once the approval start coming in we will start making commercial supplies.
- Maulik Patel:** Okay. Okay that will happen from Q1 FY'17, right?
- Amit Sanghvi:** Right. So for two of them we have received all approvals.
- Maulik Patel:** Okay. And our understanding is that once you start supplying that Cap and Bottle to the customer then the U.S. FDA may inspect your plant, right, is that correct?
- Amit Sanghvi:** The official guideline is that yes; they must inspect the plant within two years.
- Maulik Patel:** Within the two years of you starting to supply.
- Amit Sanghvi:** Right.
- Maulik Patel:** Okay. The second question again on the pricing and the volume side, as the commodity prices have come down over the last one year and ours is in the more like conversion business so, this improvement in EBITDA was in function of what? Is essentially you are moving on a higher value added products or is it mix changing what has led to the improvement in margin compare to the improvement in revenue?

Amit Sanghvi: See while our utilization level if you look at it is only 70% but that 70% also takes into account a lot of new capacity additions that have happened. On a product to product basis our utilization levels have gone up and which is why you have seen good increase in the EBITDA margins. With that, combined with the new products, the new higher margin products that we have added in the previous year so, in fact it is a mix of both and with raw material prices coming down we did not see any advantage in terms of margins in fact our revenue drops.

Maulik Patel: Yeah, so basically you pass on the raw material price, volatility to the customer, right?

Amit Sanghvi: Yes.

Maulik Patel: And we have like whatever reset happens every three months?

Amit Sanghvi: It is a quarterly yeah, so every three months.

Maulik Patel: Okay, fine. I looking at your presentation and on the slide number six, it is mentioned that machine utilization has dropped by 6.32% in this particular financial year to around 70% and that is because of what?

Amit Sanghvi: Like I said before, that between financial year 2015 and 2016 say for example we added 25 new machines so now the new utilization figured takes into account the 25 new machines that we have added. So utilization levels on a product basis on an individual product line has gone up significantly while on an overall level they are slightly down.

Maulik Patel: Okay. I got and the last question is that you did mention about inorganic opportunities in your past conference calls. Can you please highlight what is the status there?

Amit Sanghvi: What opportunity, sorry, I did not understand that.

Maulik Patel: You said that in the past that you are looking for some kind of inorganic opportunities to grow the business.

Amit Sanghvi: No, we said that we are not averse to inorganic growth at the same time we are not actively seeking; we have not given mandate or anything to anyone. If something comes along we are more than happy to take a look at it. But our focus is to remain our core business at the moment.

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

Ritesh Poladia: Sir, of the revenue of Rs. 225 crores of FY'16, sir is everything would be make-to-order basis or would there be something like first produce and then sell?

- Amit Sanghvi:** No, it all make-to-order.
- Ritesh Poladia:** And this new this Bottle and Cap business of pharmaceutical will that also be make-to-order or we would produce and then based on order we will sell?
- Amit Sanghvi:** In that business we maintain a certain minimum stock level, it is very minimal it is not large, we are talking about maintaining a stock level of three days or four days, but it is make-to-order otherwise.
- Ritesh Poladia:** Okay. So this new facility will not stretch the working capital beyond whatever is right now in terms of debt?
- Amit Sanghvi:** Yeah, absolutely not.
- Ritesh Poladia:** And because it is you are holding some inventory so your asset for the new facility would be a bit higher than the existing would that understanding be true?
- Amit Sanghvi:** No, because I think see we are in exports, primarily in exports, so end up keeping finished products stock of 4 days I think across all facilities which is what we are doing here so that is not true actually.
- Ritesh Poladia:** Okay, third, what is the CAPEX for this year?
- Sanjay Shah:** What we have said is CAPEX of this year would be driven by new business confirmations which we would get, at the same time what we are doing is we are doing a consolidation of businesses within our plants though which would basically mean that whatever capacities which we have we are looking at making the max out of it and see how we can increase revenue from the current operations. So far no new CAPEX has been decided.
- Amit Sanghvi:** No, the consolidation activity will require some CAPEX not the major expenditure. The strategy is we want preserve as much cash as we can you know times are not good in general, it is not that Shaily is not doing well you always want to prepare yourself for the future for the rainy day.
- Moderator:** Thank you. The next question is from the line of Ketan Thakkar from ASK Investment. Please go ahead.
- Ketan Thakkar:** Just wanted to understand, how many machines did we have at the end of FY'15?
- Amit Sanghvi:** We are about between 76 and 80 machines at the end of FY'15.
- Ketan Thakkar:** And we have added 25 new?

- Amit Sanghvi:** We have about 104 today.
- Ketan Thakkar:** And this run rate would continue as well given the target that we have of achieving the revenue?
- Amit Sanghvi:** No, you see capacity expansions happen of two reasons they are always one to one in the sense one size did not fit all so, where we have to add capacity on certain products which require certain size of machine so, you know the logic is that either capacity should be used up before you add any new machines we understand that but in certain cases it is simply not possible. So with the current capacity we are looking at 25% growth just in 2017, but the current capacity can give us about an addition of 30%-35% growth.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Sir, first question, I wanted to understand how do we look at the revenue mix incrementally and just trying to understand do we phase out certain products which are lower on margins as compared to other attractive segments that we are getting in to?
- Amit Sanghvi:** Yeah, absolutely, that is where the entire company is focused I mean that is why we saw a revenue drop in 2013, you know we went from 146 to 122 it was a consolidation activity, it was a start of major consolidation activity, we still continue to do it. We look at asset utilization to revenue for each customer and we decide whether we want to continue with that business or not. The consolidation activity will still continue for another 18 months. I would say that we have exited out of 95% of all low margin businesses there is probably another 5% to clean up.
- Ritesh Shah:** Okay. Sir, how should one look at the margin profile incrementally given we are getting into attractive Healthcare business. So would you like to give some guidance on the incremental margin profile?
- Amit Sanghvi:** I think we said, I do not want to give any guidance but we internally set a base margin beyond or below which we cannot accept any business and in the new segments, in high growth segments we look at much higher margin then we do for our traditional businesses.
- Ritesh Shah:** Okay, that helps. Sir, second question is what is our hedging strategy given we have a significant portion of export revenue so how do you look at it, is it back to back or how do we approach it?
- Amit Sanghvi:** 70% of our exports are rupee nominated so we do not have that much of risks as you think the only I would say only 15% of our exports yeah, I will let Sanjay answer this.

- Sanjay Shah:** Ritesh, what happens is all our major exports are basically rupee denominated so we do not have any FX risk on that to the extent we have dollar export we would have import and loan repayments to be done so that basically sets up on a one on one on a short-term basis.
- Moderator:** Thank you. The next question is from the line of Saket Bhansal from Dinero Wealth. Please go ahead.
- Saket Bhansal:** One question I have like the finance cost this year has increased to Rs. 10.1 crores and whereas the debt has decreased, is there any change in cost of debt?
- Sanjay Shah:** No, in fact cost of debt has come down in the current year. Last year if you look at it, we were implementing the new CRC plant which got set-up in March of 2015, so all the interest on that plant was capitalized till that period. If you look at long-term, if you look at my net borrowing, include that with the long-term and the short-term my net borrowings are more or less the same between March 2015 and March 2016.
- Saket Bhansal:** Okay. And any specific reason for growth in exports new clients or something?
- Sanjay Shah:** We have invested in these customers and we have made to investments we have seen growth there.
- Amit Sanghvi:** And we are great suppliers to our customers.
- Saket Bhansal:** And sir, for this CORVI the new venture which has started you have to make any changes or just you had to buy some moulds for it?
- Amit Sanghvi:** No, we did not buy any moulds; the customer has given us the moulds for manufacturing the components, the casing.
- Saket Bhansal:** Okay. So you did not had to put any CAPEX for it?
- Amit Sanghvi:** There will always be specific requirement for each product. You will end the buying from utility or auxiliary or accessory or whatever, but nothing major.
- Sanjay Shah:** Basically running on existing machines which we have.
- Amit Sanghvi:** Okay. So going forward do you see a huge business coming from this in the LED segment from other customers also?
- Sanjay Shah:** See there are two things to it, what happens if you look at LED part of the business a large part of today's most of the customers will be imported like even the bigger players today. There are not too many people who basically do manufacturing in India. So as and when manufacturing

is shift we see focus there. One thing which is going to help is the Government's focus on LED. The Government of India as well as overall globally through United Nations there is a huge focus on LED and we expect LED as a business to go up substantially.

- Saket Bhansal:** So of now you have not approached to other clients.
- Sanjay Shah:** No.
- Moderator:** Thank you. The next question is from the line of Shree Shrihari from PCS Securities. Please go ahead.
- Shree Shrihari:** I had three questions basically. Firstly, if you could give an indication of the processing capacity in terms of may be tonnage or whatever I mean you mentioned that from 79 machines it has gone up to 104 fiscal-over-fiscal. Secondly, for the CRC business if you could give some kind of guidance what is the sales target for the current fiscal and what is the long-term outlook and thirdly, in the previous con-call you had mentioned about the tropical underarm applicator business commencing sales in the current fiscal. Can you please give some details on that, thank you?
- Sanjay Shah:** Let me take the first part of the question and the CRC and next part of the question I will let Amit answer that. I think the first part basically states on the utilization levels, right?
- Shree Shrihari:** Right.
- Amit Sanghvi:** We do not measure capacity by tonnage process.
- Sanjay Shah:** So we have machine's which is capable of producing a part which weighs 0.8 gm probably even 40 tonnes at the same machine. We typically do not look at per tonne utilization level. Whenever the utilization level which we have been reporting also since last quarter have been in terms of utilization hours which we achieve. So basically run our plant 24 hours, 6 days a week and based on that whatever has been the machine up time based on that utilization which we report.
- Amit Sanghvi:** Utilization levels are also taking to account our current product mix so when we give a projection on revenue or potential growth and we talk about flat being at 70% today and moving up to 85% or 90% tomorrow it is basically correlates to our product mix and the current machines that we have.
- Shree Shrihari:** So would it be right to say that your capacity has gone up by about 30% year-on-year?
- Amit Sanghvi:** We offset about 25 machines so you could probably say; you could probably say that, yeah. Product-to-product may not be the case.

- Shree Shrihari:** Fine, the CRC business if you have any guidance for the current fiscal and what is the long-term outlook?
- Amit Sanghvi:** No, guidance, our internal target for revenue out of the CRC plant is about 25% - 30% of utilization.
- Shree Shrihari:** Okay. And what is the long term outlook I mean scalability of the business?
- Amit Sanghvi:** 100%.
- Shree Shrihari:** That is over I mean year-on-year you mean to say? Fiscal 2018 vis-à-vis fiscal 2017?
- Amit Sanghvi:** From fiscal 2017 to fiscal 2018 I think it's not only target but I am pretty confident we will be aging 100% or close to that somewhere between 80% and 100%.
- Shree Shrihari:** Yeah. And thirdly, regarding the tropical underarm applicator.
- Amit Sanghvi:** What about it?
- Shree Shrihari:** I asked this question sometime back you had mentioned that there is a possibility of a launch in FY'17 so can you please give some detail?
- Amit Sanghvi:** I do not have a further update on it so.
- Shree Shrihari:** Okay. Anything regarding the product?
- Amit Sanghvi:** We have said on the last call that this is confidential and I do not have any other information either.
- Shree Shrihari:** Okay. At least what is the kind of sales potential that you have in mind?
- Amit Sanghvi:** I do not even know if the product will ever be launched so, if so product will be made by us or I really have no information to give.
- Sanjay Shah:** It is confidential right now so.
- Moderator:** Thank you. The next question is from the line of Suvarna Joshi from SMC Global Securities. Please go ahead.
- Suvarna Joshi:** Sir, I had just two questions, one was if you could help us with the volume growth I mean what is your expectation on volume growth for the FY'17 and FY'18, that is one? The second is on the EBITDA margins front in your interview yesterday Mr. Amit mentioned that we may target EBITDA margins of 18.5% to 19% so, I just wanted to understand this incremental

EBITDA margin are we looking at it from the Healthcare business, the CRC Cap division or are we looking at it from some other divisions like the automotive and the FMCG which have grown substantially faster than the other businesses as it was mentioned earlier in this call today.

Amit Sanghvi: That it comes from a mix from both. See three things add to margin, one is utilization levels go up so, margin will go up slightly. Second is any new businesses that we take on, we are looking at more value-add which means there is higher margin then what we are currently achieving. Third is Healthcare business as more and more of it commercializes a combination of all these three things put together will increase our EBITDA margins overall.

Suvarna Joshi: All right. So I mean if you could just give some thoughts on how much would it be from the Healthcare business and how much would it be from the upcoming business from example, the CORVI, we are saying we are having substantial growth opportunities there because most of the players are importing right now. So if you could just I mean give some color on that it will be helpful.

Amit Sanghvi: Okay, I do not quite understand your question, but what I gather is you want to know about the new businesses we have added in terms of margin.

Suvarna Joshi: Right.

Amit Sanghvi: You know I cannot put that information in the public domain or the next call will be with my customers is not going to go so well. I think what I offered earlier as an answer is that any new businesses we take on, we look at it from a perspective that it has to give us better configuration than what we are currently making.

Suvarna Joshi: So are we saying that newer businesses we are looking at a threshold margin of anything which is (+15%) to (+16%) or something of that sort?

Sanjay Shah: It is hard, we would not put any number on the public call, but incrementally as we have said earlier that any new businesses which we would add need to be incrementally accretive at an EBITDA level or at an ROC level in terms of a medium-term and that is what Amit mentioned.

Amit Sanghvi: And you know it is not about making more money or making a higher margin, it is the type of businesses we are trying to get into is where barriers to entries is high, there is a need for the customer to utilize Shaily's capabilities, you see there might be a 200,000 plastic molders in the country and we will not get all of that business because most people work on a conversion model which we do not. For us when our capabilities are needed and there is significant value add are the products that we are interested in.

- Suvarna Joshi:** Sure, all right sir. And just one last thing I wanted to check was if you could just help us understand the percentage contribution of each of businesses to the revenue for FY'16 vis-à-vis FY'15 because you are saying that we target the Healthcare division to contribute about 35 odd percent to 40 odd percent over the next couple of years. So if you can help us with that it will be really helpful.
- Amit Sanghvi:** Well we are not going to report individual segment wise revenues but what may be we can tell you is that you know 50% of our business will essentially remain in home furnishing and the balance 50% you will see certain segments like FMCG, like Automotive growing significantly and you will see certain other segments which are Industrial, Engineering, Electrical coming down. It is a balancing act between margins, products and complexity that is it.
- Moderator:** Thank you. We will take the next question from the line of Ankit Gaur from Systematix Shares. Please go ahead.
- Ankit Gaur:** Sir, my question is as Mr. Amit was saying FMCG and other business has done well in this year, if you can give some colors on those businesses like you know clients we added or products we are doing for them if you can, thanks.
- Sanjay Shah:** We have already said this on the quarter three presentation we have said that we added Gillette as customer, in quarter four we added CORVI as a customer.
- Ankit Gaur:** Okay. So it is kind of an incremental business from current customers base itself?
- Sanjay Shah:** Yes. It is some incremental business from existing customers and the new customers which we have added which we already mentioned.
- Moderator:** Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.
- Amish Kanani:** Sir, I just wanted to understand philosophy on financial leverage, CAPEX and dividend distribution payout. So you know just if you can give us your thoughts because I have seen you just started to pay dividend since last two years versus your debt to equity ratio in excess of 1 versus the CAPEX that we have. If you can just tell us your comfort level or how do you kind of balance between giving the money back to shareholders versus the CAPEX?
- Sanjay Shah:** See Amish, what we have done is like we paid 20% dividend last year which was a little over 15% in terms of the PAT for that year. We have proposed the dividend of 40% which is Rs. 4 a share which is a little over 25% of the PAT. We would look at continuing to pay dividends we have not articulated a dividend payout policy per se but we would obviously look at once the growth needs of the business are which in some of the earlier calls which we have had we have outline that what sort of investments we will be looking at for the next three years to go to our

vision of \$100 million or Rs. 650 crores by year 2020. And based on that we would be looking at what payout would go to the shareholders and we will be making investments if that answers the question?

Amish Kanani: Okay. And is there a threshold of ROCE or EBITDA margin I think you told us that now the incremental is about 18 or 19 but is there is a ROC threshold

Sanjay Shah: This is what we are looking at the incremental business which we take on a medium-term basis needs to be EBITDA or ROC accretive and we would not those businesses to not be accretive on a medium-term.

Amish Kanani: Okay. And vis-à-vis that the debt equity ratio at what range of debts you will be comfortable with?

Sanjay Shah: What we have said is like if looking at investment of Rs. 25 crores - Rs. 30 crores year-on-year for the next three years we will probably be not looking at raising any further debt and we basically have accruals in the money which we have raised from preferential offer that will basically take care of that. We basically make the investments that is front-loaded where we probably need to invest Rs. 100 crores in one year then we would need to look at that, so we will take a call into that point of time in terms of how much of debt we want to take and do we want to do mix of combination of debt and equity. Currently, we are not looking at raising any further debt or any further equity.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: A couple of questions, one is in terms of incremental exports say for example this CRC caps would these be dollar billings or would these again be rupee billing even for exports?

Sanjay Shah: CRC Caps would be Indian billing right now. Right now we are looking at with Indian customer.

Karthikeyan: Okay, right now Indian customers, okay. And when the exports happen what is the thinking, would you still be doing rupee billing?

Sanjay Shah: That will be in dollar.

Karthikeyan: That will be in dollar terms and incrementally for exports, you said currently 70% of your export billings are in rupees so would that change going ahead? What is your thinking on that?

Amit Sanghvi: No, not really.

- Sanjay Shah:** No.
- Karthikeyan:** Sorry, not really as in can you clarify?
- Amit Sanghvi:** That would not change.
- Sanjay Shah:** Some customer requirements which we need to comply with so, this customer basically would buy only in rupees so I do not think that will change.
- Karthikeyan:** Okay. So incrementally also one should assume that his mix of 70-30 will continue for export billings in terms of the currency?
- Sanjay Shah:** Yeah, right.
- Karthikeyan:** Something into that effect. Just one question on what is your outstanding debt as such? At the end of the year and what was repaid during the year just to clarify?
- Sanjay Shah:** We repaid a little over Rs. 13 crores in the current year so, if you look at the balance sheet the outstanding long-term liabilities.
- Karthikeyan:** Those I can make out I just did not know the current maturities therefore, I was clarifying.
- Sanjay Shah:** This year we are looking at repaying another Rs. 13.5 crores that is the question which you have.
- Karthikeyan:** Sure. And this is on top of the Rs. 25 crores to Rs. 30 crores CAPEX so you think there would enough cash to not require external further funding. You said you will maintain debt at current levels?
- Sanjay Shah:** Yeah, so this is one thing like equity which we have raised is still laying with us and it is not deployed so we will basically be using the money which we have raised from equity for making investments that required in the current year.
- Moderator:** Thank you. The next question is from the line of Krishna Karva from Nirmal Bang Securities. Please go ahead.
- Krishna Karva:** So in the pharma space the growth will be primarily driven by the packaging segment is that correct? Would medical devices also have a role to play?
- Amit Sanghvi:** Medical devices will have a significant role to play. When we have been talking about the pharma packaging business, we have been talking about in context to the fact that we put up a

brand new facility over the last 18 months and what we are expecting in terms of utilization. Our device business still continuous to grow fairly strongly.

Krishna Karva: Okay. So the U.S. FDA approval are likely to be accorded in FY'17 for the packaging Caps and Bottle?

Sanjay Shah: U.S. FDA approvals are already in place since FY'15 for the packaging unit.

Amit Sanghvi: See the process is such that customer needs to see approval as well once the validation and qualifications are over there is an amendment to their ANDA filing and once they will receive go ahead they can start buying from us. So that is the process we are going through right now. For two customers we have achieved we are in progress with others.

Krishna Karva: Okay. And the other thing is as IKEA has probably ventured into the home furnishing segment, we may face some competition from other players in the market so in terms of plastic sourcing so how does Shaily plan to deal with situations like these?

Amit Sanghvi: Sorry, could you may be rephrase that question, I really did not understand whether question was related to Shaily or to IKEA.

Krishna Karva: It primarily relates to Shaily's strategy on how it will differentiate itself from its competitors, its Indian competitor as IKEA sourcing of plastic increases once it sets up its foot print in India.

Amit Sanghvi: I cannot answer question specific to company like IKEA I do not know what their sourcing strategy is. In general, how we set ourselves apart from competition is that it is not that we do not bid on lowest margin or lowest price, we bid on most efficient production set-up and efficiency does not just mean good equipment, it also means how you design the process and our technical team is very-very competent in doing that in coming up with configuration which gives the best price and not the lowest margin.

Krishna Karva: Okay. And thirdly, on the Automotive segment barring Honeywell for which the company did a very good job, are there any further plans that the company is looking at adding our negotiations on, on that front as well?

Amit Sanghvi: Such developments take actually very long time and even if something worst going on I would not be able to tell you. We are bound by confidentiality.

Krishna Karva: Does the same apply to the FMCG segment as well or are the talks on with the other clients on this front too?

- Amit Sanghvi:** In FMCG we are definitely discussing with many potential customers. What we would do Krishna is that as and when we have developments which we would be able to report based on confidentiality contracts with customers, we will be reporting them on quarterly basis and we are doing that for the last three calls now.
- Moderator:** Thank you. The next question is from the line of Rishabh Bhotra from JHP Securities. Please go ahead.
- Rishabh Bhotra:** Can you just let us know what is the current order book and repeat orders from customers?
- Amit Sanghvi:** All of orders are the repeat orders from customers barring the CRC.
- Rishabh Bhotra:** And what is the size like?
- Sanjay Shah:** You are asking to put a number and we do not want to give any guidance.
- Rishabh Bhotra:** Okay. Possibly the current capacity utilization to my understanding I think for one year - one and half year we would not require capacity additions as of now.
- Amit Sanghvi:** No, that is not correct. It depends on what we are able to get from customers in terms of new business.
- Rishabh Bhotra:** Okay. And in case there is funding requirement for capacity, we would still maintain the 1:1 debt-equity ratio?
- Sanjay Shah:** I just said this to one of the calls which one of the participants asked if we are looking at investing Rs. 25 crores - Rs. 30 in the years the we will probably be not looking at raising any further debt for equity. If it is front-ended in terms of looking at say Rs. 100 crores in the year then you look at options in terms of how we want to fund it.
- Rishabh Bhotra:** Okay. What is the kind of prospective customers which we are initially in talks with who can be added in the next one year - two years, rough cut estimates and size of the opportunity?
- Sanjay Shah:** We are in touch with a lot of customers and even we are looking at growth with existing customer. But we would want to report that as and when that gets materialize and currently we would be bound by confidentiality in some of the contracts.
- Rishabh Bhotra:** Okay. And in terms of the growth which we have achieved in FY'16 what is from the organic and new customers which has been added in last one year, if you could bifurcate the growth?
- Amit Sanghvi:** Everything is from organic customer. New products have been added for existing customer but the new customers that we have added you will see some growth coming in this year.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Amit Sanghvi for his closing comments.

Amit Sanghvi: Okay, thank you. So I would like to thank everyone for joining the call. I hope we have been able to response to your questions adequately. For any further information or questions that you have, I request you to get in touch with SGA our Investor Relations Advisors. Thanks once again and look forward to speaking with you after Quarter One of 2017. Have a nice day.

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