

SEPL/SE/June/23-24

3rd June 2024

**The General Manager,
Corporate Relations/Listing
Department
BSE Limited**

Floor 25, P.J. Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 501423

**The Manager,
Listing Compliances Department
National Stock Exchange of India
Limited**

Exchange Plaza, Plot No. C/1, G Block,
Bandra – Kurla Complex, Bandra (E),
Mumbai – 400 051

Scrip Code: SHAILY

Sub : Q4FY24 Earnings Call Transcript

Ref : Regulation 30 of the SEBI Listing Regulations, 2015

Dear Sir,

We refer to our previous letter dated 27th May 2024, wherein the Company updated the audio link of Earnings call held on 27th May 2024 to discuss the operational & financial performance of the Company for the quarter & year ended on 31st March 2024.

In context therein, kindly find attached herewith transcript of the referred Earnings call. A copy of the same is also available on the Company's website at www.shaily.com at <https://www.shaily.com/investors/compliances-policies/earnings-call>.

Kindly take the same on record.

Thanking You

Yours truly,

For Shaily Engineering Plastics Limited

**Dimple Mehta
Company Secretary & Compliance Officer
M. No. A 31582**



“Shaily Engineering Plastics Limited
Q4 FY’24 Earnings Conference Call”

May 27, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27th May 2024 will prevail.



**MANAGEMENT: MR. AMIT SANGHVI – MANAGING DIRECTOR – SHAILY
ENGINEERING PLASTICS LIMITED
MR. SANJAY SHAH – CHIEF STRATEGY OFFICER –
SHAILY ENGINEERING PLASTICS LIMITED
MR. PARESH JAIN – CHIEF FINANCIAL OFFICER –
SHAILY ENGINEERING PLASTICS LIMITED
SGA, INVESTOR RELATIONS ADVISORS – SHAILY
ENGINEERING PLASTICS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Shaily Engineering Plastics Limited Q4 and FY '24 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 date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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, Managing Director of Shaily Engineering Plastics Limited. 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 results investor call of Shaily Engineering Plastics. I have with me Mr. Sanjay Shah, Chief Strategy Officer, and SGA, our Investor Relations Advisors.

I hope you've had a look at our investor presentation that is uploaded on our website and the stock exchange. I'm glad to welcome Mr. Paresh Jain as our new Chief Financial Officer. He is a qualified Chartered Accountant from ICAI, having 19 years of rich and extensive experience. Prior to joining us, he has held significant positions in reputed organizations such as Banco Aluminium, Safari Industry, Indian Oil Tanking Group, Atul Limited and GTPL. Let me give you some highlights on the operational performance.

Despite a challenging global situation, we have delivered a top line growth of 27% to INR171 crores in Q4 FY '24 and have improved our gross margins and EBITDA margins to stand at 46.8% and 21.3%, respectively. Presently, we are extending our reach to global market through Shaily UK. We're now building capabilities beyond Injection Pens and auto injectors to develop advanced drug delivery solutions with electronics.

Looking ahead, our focus is on expanding our horizon to include contract manufacturing for medical devices, products featuring our intellectual property and specialty devices. Dedicated effort invested in advancing in our injection system platforms are beginning to show favourable outcome. Within the industry, our business scope is vast, and we remain committed to ongoing growth.

Our second largest revenue-generating sector today is Healthcare, and we've adopted a scalable approach that will enable us to increase our revenues at a faster pace over the next 5 years. We plan to increase our own IP contribution going forward. In the Healthcare division, we have received confirmed business orders from three customers, two for Semaglutide and one for Lanreotide in the last quarter.

An update on Carbon Steel business for the Home Furnishing Major. We've added one new product in the Carbon Steel business from the Home Furnishings Major. We've also added one

new product on the plastic side for the Home Furnishing Major. In the Industrial segment, we received confirmed export orders for supply of knobs to a US appliance major.

That is all from my side. I shall now hand over the call to Sanjay to give you the operating and the financial highlights. Thank you very much.

Sanjay Shah:

Thank you, Amit. Good evening, everyone. I shall share with you the highlights of our operational and financial performance of Q4 FY '24 and FY '24, following which we will be happy to respond to your queries.

During the quarter, we processed 5,380 tons of polymers as against 4,590 tons in Q4 FY '23. For the year ended, we processed 22,098 tons of polymers against 20,650 tons in FY '23. Machine utilization was around 40% in Q4 FY '24 and 40% for FY '24. We expect this to increase in the coming years. Exports during Q4 FY '24 and FY '24 stood at 73% and 74%, respectively, of total revenue. I shall now brief you on the consolidated result highlights.

Revenue stood at INR170.6 crores during Q4 FY '24 as compared to INR134.5 crores during Q4 FY '23, a growth of 27% year-on-year. EBITDA stood at INR36.3 crores during Q4 FY '24 as compared to INR26.5 crores during Q4 FY '23, a growth of 37% year-on-year. EBITDA margin stood at 21.3% for Q4 FY '24, an increase 160 basis points over Q4 last year. PAT stood at INR19.3 crores during Q4 FY '24 as compared to INR9.9 crores during Q4 FY '23, a growth of 95% year-on-year.

PAT margin stood at 11.3%, an increase of 390 basis points over Q4 last year. Cash PAT for Q4 FY '24 was reported at INR29.3 crores as compared to INR19.8 crores during Q4 FY '23, a growth of 48% year-on-year. Now coming to FY '24 consolidated highlights. Revenue stood at INR643.9 crores in FY '24 as compared to INR607.1 crores during FY '23, a growth 6%. EBITDA stood at INR123.4 crores in FY '24 as compared to INR96.4 crores during FY '23, a growth of 28%.

EBITDA margins stood at 19.2%, 350 basis points over last year. PAT stood at INR57.3 crores in FY '24 is compared to INR35.1 crores during FY '23, a growth of 63%. PAT margin stood at 8.9%, an increase of 310 basis points over last year. Cash PAT for FY '24 was reported at INR93 crores as compared to INR68.5 crores during FY '23, a growth of 36% year-on-year. Our ROCE and ROE stood at 17.7% and 13.3% respectively, as of 31 March 2024. Again, the growth in business has been achieved with disciplined use of capital.

Our debt-to-equity stands at 0.5x and our long-term debt to equity stands at 0.15x. Now coming to consolidated segmental revenue breakup. In the Consumer segment, revenue stood at INR 481.2 crores in FY '24 as compared to INR 503.3 crores during FY '23. The drop or a degrowth of 4% was mainly on two comps. One is pass-through for raw materials and lower toy sales as compared to what we did in FY '23.

In Pharma segment, revenue stood at INR107.7 crores in FY '24 as compared to INR57.6 crores during FY '23, a growth of 87%. In the Industrial segment, revenues stood at INR55 crores as

compared to INR46.15 crores during FY '23, a growth of 19%. The Board of Directors has recommended a final dividend of INR 1 per equity share of face value of INR 2 each of the company. This represents 50% dividend on the face value of INR2.

This is all from our side. We can now open floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhwani Desai from Turtle Capital.

Dhwani Desai: Sir the first question that I had is that on the Healthcare segment, we have done a fantastic job in terms of developing platforms and then kind of doing all the IP work. The larger question that I have is that if we look at our peer set or any other company, essentially, they're all by DNA, they are MedTech companies. And so from where we are today, to reach to that level, what kind of capabilities, manufacturing framework, regulatory and what are we doing to ensure that we move towards there and then compete with them and then are able to get higher market share, your prospective will be very useful?

Amit Sanghvi: One of the things I think it's a part of the journey, they're established players for a very long time for several decades. And one of the things that we are waiting for is eventually our first US and EU approvals on one of our injection pen platforms. We're very confident that these approvals will come in, in the current financial year before the end of this calendar year. And that will establish as a player as a reputed player in the industry.

So going forward, with the pipeline that we currently have, we're already looking at a very significant revenue scale up over the next 5 years, as I said in the speech earlier. But the opportunity to work with innovator companies apart from Sanofi will come once our brand and products gets established in the regulated markets. So it's a journey, and we're just now waiting for the outcomes.

Dhwani Desai: Got it, Amit. Just if you can expand a bit on the capability side of it other than the polymer processing, what kind of capabilities in next 3 to 5 years, we need to develop to kind of compete head on with some of those types?

Amit Sanghvi: I think when it comes to, let's say, R&D and design capabilities, I would say that our injector platform portfolio is as good or better than any of our competitors globally today. When it comes to manufacturing, our infrastructure work plan. We've invested in tool manufacturing in the last year. It was mentioned in one of our calls before. So we now manufacture a lot of the Molds that we use in these products in-house.

So, capability build-up has been very strong at Shaily. - we certainly need to add more heads as we will resource capital as we scale up. But apart from that, on the capability side, I think we're on par as good as anyone else, any one of our competitors where we need to be.

Dhwani Desai: Got it. My second question is on the base business, which is non-pharma part of it. So given the order wins that we have got in the last year FY '24 entirely, if I just look at the number and from

the timelines starting -- many of them starting from Q2 and then gradually scaling up. But still it looks like that the base business will grow at 12% to 15%. Is that right assumption? Is it how you guys are looking at it?

Sanjay Shah: So Dhwanil, so two things that you need to consider. One is when I mentioned it is a part of my speech also that, we have seen a raw material reduction being passed on to customers, which basically impacts the top line, which is what has happened. Businesses, which we have talked about last year, part of those businesses have got commercialized in Q3 and Q4. And as we speak, we will be looking at ramping up these businesses -- some of the businesses which would have commercialized in Q4 have got delayed in Q1. So, you will then see a ramp in Q2, Q3. That's the way we would look at it.

Dhwanil Desai: Got it. And last question on the carbon steel business. So, I think we were expecting year-on-year improvement and probably breaking even at EBITDA level this quarter this year. So, are we on track for that?

Sanjay Shah: We have seen a substantial year-on-year improvement. EBITDA level, I would say we have not broken even, but we are at a very borderline thing, and we should be able to breakeven in the current year.

Dhwanil Desai: Okay. Got it. Thanks for more questions. I'll come back in the queue.

Sanjay Shah: So just to add, if you were to look at a number of four new projects taken with the customer during the financial year.

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

Aman Vij: In the quarter 3 presentation, we had already mentioned that we have gotten four contracts for development and supply of pen injectors. And in Q4, we have again added that we have got confirmed orders from three customers. So are this -- is it three plus four? Or is it -- these three are only as of now confirmation. They are not contract. S

Sanjay Shah: No, three plus four, four plus three, sorry.

Aman Vij: Okay. So that slide which shows that we have added only four, that should be seven, right, then we have mentioned in one of the slides for this full year, we have added four...

Sanjay Shah: Specifically, for quarter one to quarter three in terms of what's been done between quarter one to quarter three. And there is a specific set for quarter four.

Aman Vij: Okay. There was this confusion. Okay. Next, basically, in terms of number of contract additions, if you can talk about how is the pipeline looking like for FY'25 and FY'26, what kind of contracts numbers do you think we can add this year and next year?

- Amit Sanghvi:** So we're getting a lot of traction on pen injectors for Semaglutide particularly. But being in the current financial year, we're also looking at adding a fair bit of new contracts for Tirzepatide. Tirzepatide is NCE minus 1 filing deadline in May 26. And our platform is now fully developed. So - we're looking at starting supplies in November of this year for clinical batches to various customers, therefore adding new contracts as well.
- Aman Vij:** Sure. As of today, what is the total number of projects we have, including the seven, which we added last year?
- Amit Sanghvi:** Ongoing projects on all molecules put together, somewhere around 12 to 15 ongoing projects.
- Sanjay Shah:** Now that will be higher.
- Amit Sanghvi:** Yes, but we're talking about what this financial year we added.
- Sanjay Shah:** Yes, yes. I think the question Aman had been total ongoing projects, I think, which will need to include Lira and Teri. All of it put together.
- Amit Sanghvi:** So total ongoing projects Aman then would be closer to 20.
- Sanjay Shah:** Yes, I'd say about 20 to 23.
- Aman Vij:** Sure. And how many of these projects will be auto injector projects out of this 20, 23.
- Amit Sanghvi:** So auto injectors, we have a total of four projects and balance are on pen injectors.
- Aman Vij:** I was asking that last quarter, you had talked about a couple of commercial supplies that we were supposed to start. I think you have done two commercial supplies till late -- so any ideas about what kind of commercial supplies will begin FY'25?
- Amit Sanghvi:** So, we started commercial supplies for Teriparatide, which is our Axiom pen. And we're starting -- we are looking at starting some commercial supplies of our Liraglutide pen as well in the current year.
- Aman Vij:** Okay. So only one project commercial supplies you are expecting for this year or more.
- Amit Sanghvi:** Only talking about regulated markets, in non-regulated markets, we do supply for insulin. Same -- our Protean platform is used for supply of 60 units insulin pens. So that commercial supplies have already started, and we are supplying in non-regulated markets. We're looking at a decent scale of this year for Protean as well.

Aman Vij: Sure, sure. Next question is Shaily UK saw good growth this year in FY'24. So what kind of growth are we expecting in, say, FY'25? And will it be back ended like H2, or it will be spread across.

Amit Sanghvi: On new projects, it will get back ended because it's regardless of whether a platform is fully developed or not, when you start -- when you engage with the customer, you have a six- to 10-month timeline before the full project execution happens for that customer. So those projects get -- revenue reflection will be back-ended. Everything that's ongoing, let's say, from quarter three, quarter four will get realized in the first two quarters of this year.

So you will see a higher UK revenue in quarter three, quarter four, for sure. But I think quarter one and two are not going to be low. We're going to see decent revenue generation in the UK as well.

Sanjay Shah: Aman, just to add what Amit said, ideally when you look at Shaily or Shaily UK, look at it on a more on a consolidated basis. Don't look at a quarter-on-quarter basis but more both from a year-to-year basis.

Aman Vij: Sure. My next question is, Amit, last quarter you talked about a new device, Shaily SafeLan for Lanreotide. And I think we've gotten one contract also for the same. So could you talk about the same, how many customers do we have for the same? And is this product already commercialized or we will commercialize it in, say, this year?

Amit Sanghvi: No. We have now two customers on Lanreotide and active discussions for adding another two. But we will supply clinical batches in the current -- in the first half of the current year for Lanreotide.

Aman Vij: Okay. But -- okay. So no commercialization as of now for these projects...

Amit Sanghvi: when we supply clinical batches, the product is at Shaily's end fully commercialized, but it won't -- they won't get on to the market until approvals are received by the pharma customers.

Aman Vij: Sure, sure. And just last two questions on healthcare before I come back in the queue. So you had talked about a very good growth last year, and we have already delivered a very good growth on this high base, what kind of growth do you expect for this? And also, if you can talk about our own IP pens. So when do we see these IP pens in the market?

Do you think this will happen this year because one is commercialization from our side, but then there is commercialization from the customer side also. So, when do we see our own IP pens in the market so that we get the feedback from end customers and all those things, these two questions I have.

Amit Sanghvi: From whatever information we have today -- we are fairly confident you would see our products on the market in the current year. And at least Teriparatide for the Axiom pen and towards the end of the year, hopefully, Liraglutide as well.

- Aman Vij:** And in terms of growth for the healthcare segment.
- Amit Sanghvi:** No, we've said in the past calls as well, Aman, we're looking at we're looking at, at the moment, 50% to 60% growth on the pharma side in the current year as well.
- Aman Vij:** Even on this high base, you are talking about?
- Amit Sanghvi:** Yes.
- Aman Vij:**
- Moderator:** Thank you. The next question is from the line of Nirali Gopani from Unique PMS. Please go ahead.
- Nirali Gopani:** Hi. Thank you for the opportunity. And congratulations on a good set of results. My first question is on the margin side. So this quarter, we saw a very good improvement in the gross margins on a sequential basis. So if you can just explain what was the reason for that?
- Sanjay Shah:** Nirali, when you look at gross margin, it's a combination of higher revenues on the pharma side from Shaily India and what we have done in Shaily UK. So that's the reason for the higher gross margin.
- Nirali Gopani:** Okay. Because I see sequentially, Shaily UK saw some decline, and the revenue growth was also about 8%, but the gross margin improvement was quite good from 44% to ~47%. So that's the reason for the question.
- Sanjay Shah:** Yes. So that was the reason I said it's a combination of Shaily UK and Shaily India, both put together.
- Nirali Gopani:** Okay. Fair enough. And we saw some -- the other expense also increased quite significantly in the quarter. So any particular reason for that?
- Sanjay Shah:** No there are not any one-off expenses at that on our expenses. A lot of it will be within normal expenses.
- Nirali Gopani:** So we expect this kind of run rate as a percentage of sales to continue in the next year also?
- Sanjay Shah:** Yes, I would say you should look at a base for the year and when you do your numbers
- Nirali Gopani:** Okay. Fair enough. And consistently for two quarters, you have been reporting a healthy EBITDA margin of 20%, 21%. So I'm not asking for any guidance, but do we expect this number to improve over the coming two, three years on the basis of increase in the healthcare revenue and the IP-led pens?

- Sanjay Shah:** Nirali, what we have been saying is one thing you should look at Shaily margins or Shaily's revenues on a quarter-on-quarter basis. We would still stick by in terms of what we have said, yes, we expect margins to go up and in the next two to three years, you will see margins year-on-year improving, broadly on two accounts, one of higher revenue coming in from pharma, and we're basically putting in more value-add products. So that's something which we have.
- Nirali Gopani:** Right. perfect. And any capex guidance for FY'25?
- Sanjay Shah:** We are not looking at any substantial capex as of now as we speak. There will be some small capexes which we will be doing. But our focus is going to be on improving utilization level and seen how we can basically increase our capacities, which have been created being utilized.
- Nirali Gopani:** Perfect. That's it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahil Dasani from MAPL. Please go ahead.
- Rahil Dasani:** Yes. So, first of all, thank you for the opportunity. Just the pharma devices. Globally, there are several manufacturers even a few with the spring technology. So what is the possibility of any of our exhibit/clinical batches clients for Sema and Liraglutide. Using our devices at first but then shifting then going for the commercial plan.
- Amit Sanghvi:** I mean, look, there's never a certainty right Rahil, but if a customer has done a full program with us, and you will have to remain competitive when it comes to cost as well. And I don't see a reason why anyone should shift. One of the reasons why we are seeing good traction on a molecule like Semaglutide is because we're the only ones with the spring-based pen injector, which -- where the user steps are the same and the experience is the same as that of RLDSO, at the moment, we don't have any competition globally when it comes to a string driven an injector. So, we feel confident that the customers should not switch over to someone else after launch.
- Rahil Dasani:** Okay. So maybe asking a more direct question, since Liraglutide more to us to commercialization, have we seen any of our customers shift from our pens post the clinical trials?
- Amit Sanghvi:** No, not at the moment. We have not -- so there's two Liraglutide therein. One is Victoza and Saxenda. For Victoza, we used a different pen-injector which is the Protean platform. And for Saxenda, we use our Neo platform. On either cases, we do not have a customer that has switched over platforms.
- Rahil Dasani:** Got it. And if I heard it right, we are to launch Liraglutide commercially from November?
- Amit Sanghvi:** we are hopeful that we'll get approval in the current year for Liraglutide launch. I don't know whether it will be November, or it would be March, but we're hopeful that approvals would come in, in the current year.
- Rahil Dasani:** Okay, sir, that's helpful. How many customers were we able to get hold off in comparison to the total filings for the molecules as of date, of course in the RoW market?

- Amit Sanghvi:** The RoW market filings aren't always known. But I'd say in the RoW markets, in the regulated markets, - we have a fairly significant share on Semaglutide. And on RoW markets, if we look at, for example, let's say, some of the larger players in the Indian pharma landscape and I think we have a fairly good share of that as well.
- Rahil Dasani:** No, sir. I was asking for Liraglutide.
- Amit Sanghvi:** For Liraglutide, I mean, Lira was -- as many people file Lira before we started to sort of the whole business of getting into injection pen platforms. So, on Liraglutide, particularly Victoza, we will certainly not have the highest market share. There will be many other players who have filed with other devices.
- Rahil Dasani:** Okay. That's helpful. So for Liraglutide only, out of these customers we are in talks with, how many have started generating IP revenue?
- Amit Sanghvi:** None. There's no commercial launch for Liraglutide yet. None of our customers have received approval.
- Rahil Dasani:** Got it. And one customer was awaiting approval in August '23 for whom we had already filled their supply chain with inventory. And this was for Liraglutide if I'm not wrong. So when do we expect increased scale from them?
- Amit Sanghvi:** No, it was for Teriparatide, not Liraglutide.
- Amit Sanghvi:** And we are hoping for approval again in the first half of this year. So let's see.
- Rahil Dasani:** Got it. And according to the last con-call on the four additional contracts for the pen injectors to large pharma, this is not related to GLP-1s, right?
- Amit Sanghvi:** No, it is GLP-1s.
- Rahil Dasani:** It is GLP-1s. Okay. Got it.
- Moderator:** The next question is from the line of Anant Jain, who is an Individual Investor.
- Anant Jain:** Congratulations on the good numbers. First question that I have is that do we have active projects on Liraglutide for both Victoza and Saxenda?
- Amit Sanghvi:** Yes.
- Anant Jain:** And if you could just give some idea, like you said we have currently around 23 active projects. And if you could just give a split between Lira, Sema, Teri and Tirzep?

Amit Sanghvi: We've done -- executed and non-executed about seven programs on Teri. Lira, both Victoza and Saxenda put together, five to six programs on Lira, the balance would mostly all be Semaglutide. And we currently have two ongoing programs for Tirzep.

Anant Jain: Okay. So where do you see this 23 number next year? You must be having the pipeline. So where do you see this, like do you see it hitting -- this year, we did seven. So, you see the next year's number being higher than this, anything that you can give on this?

Amit Sanghvi: Difficult to give an indication like that, Anant. But what we're focusing on right now is making sure that our Tirzep program for the NCE-1 filing remains very strong. So, I think for NCE-1 filing, we're not looking at maybe taking on more than a total of four to five because we need to make deliveries as the last date of deliveries for the EB batches cannot be beyond potentially, let's say, September '25, 6 to 8 months or 10 months to do their stability and file. So, in that time period, we were able to take on a total of only 4 or 5 accounts. Maybe pushing it a little bit in the last 6 to 8 months before the filing deadline, maybe take on another one. But we're looking at 4 to 5 right now, and that's the focus.

In addition to that, we see good traction for reusable pens and coming up both in Europe and RoW markets. So, we are working on development of our premium reusable pen at the moment. But from molecules and customers, it's too soon to tell what molecules that we'll take on and what customers. But we're basically looking at RoW markets with just as much effort as we do regulated markets.

Anant Jain: One question that I have is that have we received -- I mean, of course, it's a nitrated process and have we received adverse comments from USFDA or have our partners received adverse comments from USFDA with respect to our spend? Any idea on what kind of comments were there and how well they resolved? If you could throw some light on that.

Amit Sanghvi: Our partners do receive comments from the USFDA. And where the comments are related to device, we support the customer in answering those queries, whether it be as a technical support on answering an engineering question or by additional testing or providing additional information. Have we have received any significantly adverse comments? No. We have not yet received any significantly adverse comments that I'm aware of.

Anant Jain: Can you tell us -- are there any active projects on the Harmony platform.

Amit Sanghvi: The Harmony platform is no longer on offer. We don't offer it, but we have done a few products on it. So as far as those projects are concerned, we are committed to commercializing the Harmony platform for those customers.

Anant Jain: Okay, awesome. One last question. In your opening comments, you mentioned that we are looking at advanced drug delivery with electronics. Can you just spend a few minutes on making us understand what does it mean?

Amit Sanghvi: So, we're looking at -- we're looking at basically and we've developed tech for an on-body injector. Now we're looking at taking back to the next stage of development. It's a long process. It's not something that will happen in one year. But this development is something that will happen over the next two to three years, where we're looking at really advancing the on-body injectors and it could be multiple molecules, pain management mainly and oncology. But there's -- we're looking at not just servicing sort of the generic industry. So we're looking at developing some technologies that would be more attractive for novel molecules for innovative companies.

Anant Jain: Okay. One last question, sir. This is -- like I was going through one of our competitors Ypsomed and the demand is absolutely crazy for what they're doing there because they have tie-ups with innovators. My question is, do you see that -- because of this demand they are, of course, getting out of the older devices, the older pens. So, do you see that -- and because of this, do you see the demand for insulin pens and also the margins were going up because a lot of these companies are now tied up with the innovators and especially like falling short on capacities for Sema?

Amit Sanghvi: **Ypsomed** is a great company. I cannot comment on their business model. I can only make an assumption. My assumption would be that they've seen higher margins, higher returns on their platforms with the scale up that they're seeing where a contract manufacturing business and a legacy contract manufacturing business, which they have been doing for the last 15, 18-odd years may not be so lucrative anymore. So that's, again, just a personal opinion.

I have no ways to back this up, but I feel that's probably why they're getting out of -- or reducing the contract manufacturing with an increase in the capacities and offerings on their own platforms. And look, they've done exceptionally well. I think they will continue to do exceptionally well. And they just developed the right tech at the right time much ahead of us in a lot of cases. But our portfolio from a perspective is exceptionally strong today. So, we -- I'm confident that we will also see a very significant scale up.

Anant Jain: And we see scale up happening in the insulin also or we don't want to scale it up because we see opportunities in our own proprietary platforms?

Amit Sanghvi: There's opportunity for scaling up insulin, and we are interested in scaling up insulin as well. Our top line is not -- is nowhere close to an Ypsomed So Shaily as a company very interested in scaling up insulin as well along with the other platforms or the molecules.

Moderator: The next question is from the line of Rupesh Tatiya from IntelSense Capital

Rupesh Tatiya: Okay. So my first question is when can we see a commercial launch of Semaglutide in RoW markets, markets like Brazil, Australia, from the world markets, because my understanding is regulated market launch is a few years away?

Amit Sanghvi: Yes, I think that everybody is looking at an RoW like you said Brazil, India, Canada launch in most of our customers would be targeting '26, which is basically FY'27, but calendar '26 launch in these markets.

- Rupesh Tatiya:** What would be the market size for this RoW market for Semaglutide?
- Amit Sanghvi:** The market really start will be, of course, there will still be several million devices. But the RoW market will expand very fast, because today the innovator itself runs short on the devices and they're not able to service regulated markets effectively with the product from various reports that I've read. So, the out of the market, you will see a fairly good scale up. Eventually, at maturity, we feel that RoW and regulated markets will be somewhere either 40-60 or 50-50 on volumes globally.
- Rupesh Tatiya:** Okay, sir. That's good to know. Sir, second question is, can you give me the total pen volume that it will take in financial year '24?
- Amit Sanghvi:** Unfortunately, I'm traveling. I don't have the number on the top of my head. But Sanjay bhai, what was the total volume of pens and auto-injectors and all devices put together in the last financial year?
- Amit Sanghvi:** Somewhere around 11 million, 12 million is what the number of pens we sold in the last year.
- Amit Sanghvi:** Not pens only, devices.
- Rupesh Tatiya:** Okay. And assuming we can do some, let's say, Lira approvals for our partners come through, then teriparatide approvals come through then semaglutide clinical batches and Tirzepatide batches. Can we assume that this volume will go to something like 20 million in '25?
- Amit Sanghvi:** No, I don't see 30 million for sure. We're looking at -- like I said, we're looking at about 15%, 16% growth. So, I anticipate somewhere around to 17 million to 18 million pens in the clinical devices in the current year.
- Rupesh Tatiya:** Okay, okay. And then the related question to that. Sorry, my understanding is insulin devices realization is much lower. But some of these newer platforms, the realization, at least my expectation is that it would be pretty high. So, can you give color on how average realization will move on an overall portfolio level?
- Amit Sanghvi:** Again, a little too soon to tell, you're right. I agree that realization on insulin pen is lower than on GLP-1. But there are also different pens, insulin pens, for example, our most of them will be mechanical devices, right? So, our Protean platform is a low-cost 60-unit platform. And from cost being lower price selling price is also lower. But yes, on the insulin business, the realization is lower. So, at this point, we're interested in scaling up and I think over the next even 10 years, insulin is going to play a crucial role in -- when it comes to volumes, and we need the volumes to get scale to gain economies of scale as well. We need to have your lines run efficiently and for that, we need to increase volumes.
- Rupesh Tatiya:** Okay. Okay. But I mean, eventually, some of these -- I mean, market share of some of these liraglutide, tirzepatide, teriparatide, semaglutide, it will go up. So, I mean, on an average, I don't

know. What is the difference in realization? It is 3, 4x of insulin? Can you give some ballpark figure?

Amit Sanghvi: See when these products become commercial, we don't know what kind of competition you're actually looking at and what will be the eventual selling price. But if you look at the GLP-1 market and the way it's exploring today, GLP-1 will certainly give you higher margins than insulin. I don't think it's going to be 3, 4x.

Rupesh Tatiya: Okay. Okay. I see, sir. Okay. And another question is you talked about one of our competitors getting out of contract manufacturing. But I mean, can we talk about where we are on contract manufacturing? Do we -- what kind of contract manufacturing we do if we do it all? And maybe you can talk about some of the products that we contract manufacture?

Amit Sanghvi: We contract manufacture a lot of insulin pens basically, right? So we have some specialty devices that will go on stream in the current year, some that we're already doing. We also contract manufacture dry powder inhalers but the volume, the bulk of the contract manufacturing margin is all insulin pens.

Rupesh Tatiya: Okay. Okay. And sir, my final question is, if we read about some of our competitors, they are looking at massive capex, \$200 million, \$500 million. So, if -- and we are very strong on semaglutide, given that we are the only reference to buying, I see for granted, -- so do you feel there will come a time there with how to raise capital if success comes through as we expect in semaglutide to do a massive \$50 million, \$100 million capex?

Amit Sanghvi: No, I do not expect \$50 million, \$100 million capex needed on semaglutide. I mean, first, by nature of us being located in India, capex is lower. Second, we did this massive capex last year on the pharma side. So we essentially looked at creating an infrastructure. So today, we have the building available to, let's say, manufacture somewhere, again, very difficult to put a number, but we can manage around 60 million to 70 million devices at maturity in a given year. We have not installed all the capacity.

So the equipment machinery needed has not been installed. At the moment, what we were installed is something that can cater to an annual volume of 25 million to 30 million devices. So as we see approvals coming in, as we see scale up happening, we will make the additional investment in particular machinery tools and assembly equipment for semaglutide.

Rupesh Tatiya Okay. Okay. So sir, final question is to go from this 25 million to 30 million to 70 million, what kind of capex we would be, I mean whenever it happens.

Amit Sanghvi: I think the additional capex in the range of, I would say, somewhere in the range of between \$15 and \$20 million will be -- is what we're looking at additional capex, but that number is not a -- is not something that will happen in the next 3 years. We're not looking at investing essentially any significant in the next 2 to 3 years. We've done the investments even, so we will look at this as an investment over the next 6, 7 years.

- Moderator:** The next question is from the line of Karan Mehra from Mehta Investments.
- Karan Mehra:** A couple of questions from my end. The revenue has seen a growth of around 6%. And the consumer segment, which forms major revenue contribution for us, has seen a degrowth of around 8%. So can you throw some light on the factors contributing to the degrowth as in there is a subsegment and the consumer segment as well. So which business contributed to the degrowth, why?
- Sanjay Shah:** So Karan, I mentioned this in my speech that when you look at the consumer segment, there are 2 things to it. One is the revenue from toys has come down. So that's one reason for it. And the second is raw material pass-through, which happened. You have seen raw material prices being lower than the current year compared to what it was earlier, which would basically mean your realizations are down. So these were 2 reasons for which, overall, you're seeing a 4% degrowth on the consumer part of the business.
- Karan Mehra:** Understood. Sir, and with regards to our capacity utilization, which stands at around 40%. So any reasons why we aren't increasing our utilization rate? And what are we doing to increase the rate in the future?
- Sanjay Shah:** So, we are working with customers. We are bidding for new business and everything. We expect that our capacity utilization will go in the current year as compared to last year.
- Moderator:** The next question is from the line of Anant Jain, who is an Individual Investor.
- Anant Jain:** So just one question. As of now, when you said that -- I just wanted to confirm that on Teri, we are hoping for approvals on first half of this year on our proprietary platform. Is that a correct understanding?
- Amit Sanghvi:** Yes. Yes, Anant, that is correct for Teri, we are hoping to get approval in the first half of this year, but I cannot confirm or guarantee that. So.
- Anant Jain:** I understand because I mean, Cipla has signed an approval for Teri, I mean you want to name the customer's name, just wanted to confirm that in a different manner. So yes. And you gave the pen volumes for this year at around 11 million to 12 million. If you can give me a breakup of pens which are like for commercial sales versus which have gone for trial and for these non-commercial contracts?
- Amit Sanghvi:** Anant, we will not be able to provide that breakup at this point, contract manufacturing, for example, is 3 years ago, contract manufacturing was 90% and proprietary devices were 10%. I'd say today, the split would be somewhere 70%-30% or 60%-40%. And as we move forward over the next couple of years, you will see the revenue generation from proprietary devices increasing.
- Anant Jain:** So when you say 90%-10% and 70%-30%, are you talking of volumes? Or are you talking about a value?
- Amit Sanghvi:** Value.

- Anant Jain:** And this 11 million number, which I think in some ways, like other million devices. Yes, yes. So, what I'm saying is what was there in '23 if you have that number? Or maybe I can take it offline.
- Amit Sanghvi:** I don't have it off hand, but I would assume that '23 was somewhere, Sanjaybhai, I could be wrong. Correct me if I am, but about 7 million, 6 million, 7 million.
- Sanjay Shah:** I'll also need to look at the numbers. But yes, Amit, I can probably get the number to you from the parts of which we have. We have talked about that number, and we can get that number to you.
- Anant Jain:** Okay. So, I mean, assuming it was 7 million, well it's amazing only scale up that has already happened this year.
- Amit Sanghvi:** Yes, we are -- it's -- I mean pharma is a slow process, but you will see scale-up.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for 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. And thank you and have a great evening.
- Sanjay Shah:** Okay, everyone. Thank you.
- Moderator:** On behalf of Shaily Engineering Plastics Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.