

Shaily Engineering Plastics Limited

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	238.45 (Reduced from 283.00)	CARE A; Stable	Reaffirmed
Short Term Bank Facilities	35.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Shaily Engineering Plastics Limited (SEPL) continue to derive strength from its established presence in the plastic injection moulding business, around four-decade experience of its promoter group in the plastic packaging industry and established relationship with reputed clientele across diverse end-use industries.

The ratings also factor improvement in SEPL's operational performance with segmental diversification of revenue (from the healthcare segment) in FY24 (FY refers to the period April 01 to March 31) and Q1FY25 (refers to the period April 01 to June 30), its healthy financial profile and adequate liquidity.

The above rating strengths are, however, partially offset by SEPL's high customer and segmental concentration, its moderate bargaining power with its large-size customers and vulnerability of its profitability to raw material price volatility and exchange rate fluctuations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in its total operating income (TOI) to more than Rs. 800 crore along with PBILDT margin of 20% on a sustained basis.
- Scaling up of healthcare segment resulting in segmental and customer diversification.
- Improvement in return on capital employed (ROCE) above 20% on a sustained basis.

Negative factors

- Decline in its TOI to less than Rs.550 crore on the back of lower off-take by its key customers
- Decline in its PBILDT margin below 14% on a sustained basis
- Increase in working capital intensity resulting in elongation of working capital cycle beyond 90 days in the near term.

Analytical approach: Consolidated

The analytical approach has been changed from standalone to consolidated to factor the performance of its wholly owned subsidiary [WOS - Shaily (UK) Limited], due to significant growth in its operations. List of subsidiaries has been attached as Annexure 6.

Outlook: Stable

The Stable outlook on the rating reflects CARE Ratings Limited's (CARE Ratings) opinion that SEPL will benefit from its experienced promoter group, strong technical capabilities, established relationships with key clientele and comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record of operations in plastic injection moulding

SEPL is led by its promoter and Executive Chairman, Mr Mahendra Sanghvi, who has over four decades of experience in the plastic industry. His son, Mr. Amit Sanghvi, serves as the Managing Director of SEPL and has more than a decade of industry experience. The promoters are actively supported by a team of professionals and eminent independent directors with extensive experience in pharmaceutical, finance, and operations. With an established track record of operations of around four decades, SEPL has developed a diverse portfolio of across home furnishing, healthcare, fast moving consumer goods (FMCG), toys and automobiles sectors.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Established relationship with reputed clientele across diverse end-use industries:

SEPL has a long-standing relationship with reputed global and domestic clients across a wide range of end-user industries. The company operates in the niche segment of precision moulding, serving the requirement of leading global companies in their respective segments.

Sustained growth in SEPL's scale of operations along with improvement in profitability:

During FY24, SEPL's TOI grew to ₹645.93 crore (PY: ₹607.07 crore) driven by a shift in the product mix, with higher contribution from the healthcare segment, as well as development of complex Intraperitoneal injection (IP)-protected equipment solutions. SEPL's revenue is largely generated from three segments, with the consumer segment being the highest contributor, accounting for 75% to the total sales in FY24 (PY:83%). This is followed by the healthcare segment at 17% (PY: 10%) and the industrial segment at 9% (PY:8%).

Owing to aforementioned reasons, SEPL's PBILDT and PAT margin also improved y-o-y by 325 bps (to 18.59%) and 308 bps (to 8.87%) respectively in FY24. The company's gross cash accruals (GCA) increased by 34% to Rs.97.00 crore (PY: Rs. 72.56 crore). As per the provisional financials of Q1FY25, SEPL's TOI grew by 14% to Rs.180.09 crore (PY: 158.10 crore) along with improvement in PBILDT margin of 20.05% (PY: 17.47%).

Going forward, CARE Ratings expects growth in the company's operating performance, supported by strong order book in the healthcare segment and the carbon steel segment, which is expected to achieve breakeven in FY25, along with sustained growth momentum in home furnishing segment.

Comfortable financial risk profile

SEPL's financial risk profile remained comfortable marked by healthy net worth base and overall gearing maintained below unity as on March 31, 2024. Debt coverage indicators too remained robust, with an interest coverage of 6.33 times and total debt to GCA of 2.16 years in FY24 (compared to 4.88 times and 2.58 years in the previous year). Additionally, the total outside liabilities to tangible net worth (TOL/ TNW) remained stable at 0.66 times in FY24 (PY: 0.68 crore).

Although, SEPL's working capital intensity is projected to increase with the growing in scale of operations, CARE Ratings expects its capital structure and coverage metrics to remain comfortable, supported by healthy accruals to reserves.

Key weaknesses
High customer concentration with moderate bargaining power

Home furnishing remains SEPL's largest segment, accounting for approximately 75% of its TOI in FY24, down from 83% in FY23. Moreover, this segment caters to a single industry player, indicating high level of customer concentration. While association with leading global and domestic players mitigate counterparty credit risk, it limits SEPL's bargaining power with its larger clients.

Vulnerability of profitability to volatile raw material prices and exchange rate fluctuations

SEPL's key raw material is a derivative of crude oil, making its profitability is vulnerable to fluctuations in crude oil prices. although SEPL has cost pass-through mechanism with most of its customers, price revision occurs with a time lag. Additionally, SEPL's profitability is vulnerable to exchange rate fluctuations, particularly to the extent of its net un-hedged position.

Liquidity: Adequate

SEPL has adequate liquidity characterised by sufficient cushion in its cash accruals vis-à-vis its term debt repayment obligations and stable operating cycle of 71 days (FY23: 74 days) during FY24. Going forward, SEPL is expected to generate GCA of around ₹126-182 crore which is sufficient to meet its routine capex requirement of around ₹50 crore and schedule debt repayment of ₹38 crore in the projected period.

Further, with moderation in raw material prices, the utilisation of fund-based working capital borrowing remains moderate at 69% during the trailing twelve months ended June 2024.

As on March 31, 2024, SEPL had free cash and bank balance of Rs. 22.22 crore, as compared to Rs. 17.69 crore as on March 31, 2023. Cash flow from operations remained stable at Rs.87.15 crore in FY24 (PY: Rs. 86.96 crore).

The current ratio & quick ratio stood moderate at 1.15 times & 0.78 times (PY:1.12 times & 0.77 times) respectively as on March 31, 2024.

Assumptions/Covenants: Not Applicable
Environment, social, and governance (ESG) risks:

Particulars*	Compliance and action taken by the company
Environmental	<ol style="list-style-type: none"> 1. Across the business verticals such as Home Furnishings and FMCG, SEPL has been successful in being able to convert products manufactured from virgin materials to both recycled plastics as well as bioplastics. 2. For the year 2024, 36.06% of raw material used was from post-industrial recycled polymer 3. Uses packaging material from supplier with FSC (Forest Stewardship Council) certification with Chain of Custody (CoC) across the supply chain. 4. The company has implemented and installed energy efficient instruments and processes across the plants resulting into conservation of energy and water
Social	<ol style="list-style-type: none"> 1. All employees in the safety training which is being given at the time of joining and at regular basis from time to time. Apart from this at regular intervals skills development programs are being organised for all the categories of employees have been included.
Governance	<ol style="list-style-type: none"> 1. The company has a dedicated investor grievance redressal mechanism related to the policies to address stakeholder's grievances. Further, the Company has not received any investor complaints during the 2023-24. 2. During FY24, 50% of SEPL's board comprised independent directors

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Plastic Products - Consumer

Incorporated in 1980, Gujarat-based Shaily Engineering Plastics Limited (SEPL) is engaged in manufacturing of high precision injection moulded plastic components and sub-assemblies for various requirements of Original Equipment Manufacturers (OEM). It also offers secondary operations in plastics like vacuum metalizing, hot stamping and ultrasonic welding. The company caters to a wide range of industries including home furnishing, FMCG, pharmaceuticals, switchgear components, auto components, electronics and electrical appliances. SEPL is a two-star export house with an in-house Research & Development unit and its manufacturing facilities are located at Savli and Halol in Gujarat.

Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	599.71	645.93	180.09
PBILDT	87.80	120.07	36.12
PAT	29.99	57.29	17.41
Overall gearing (times)	0.49	0.46	NA
Interest coverage (times)	4.61	6.33	8.30

A: Audited UA: Unaudited; Note: these are latest available financial results. NA: Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	140.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	June 2029	98.45	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	35.00	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	98.45	CARE A; Stable	-	1)CARE A; Stable (04-Sep-23)	1)CARE A; Stable (12-Aug-22)	1)CARE A-; Positive (17-Dec-21)
2	Fund-based - LT-Cash Credit	LT	140.00	CARE A; Stable	-	1)CARE A; Stable (04-Sep-23)	1)CARE A; Stable (12-Aug-22)	1)CARE A-; Positive (17-Dec-21)
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (04-Sep-23)	1)CARE A; Stable (12-Aug-22)	1)CARE A-; Positive (17-Dec-21)
4	Non-fund-based - ST-BG/LC	ST	35.00	CARE A1	-	1)CARE A1 (04-Sep-23)	1)CARE A1 (12-Aug-22)	1)CARE A2+ (17-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Shaily Plastics (UK) Limited	Full	Operational and managerial linkages.

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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Disclaimer:

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