

## Shaily Engineering Plastics Limited

April 09, 2025

| Facilities/Instruments     | Amount (₹ crore) | Rating <sup>1</sup> | Rating Action                |
|----------------------------|------------------|---------------------|------------------------------|
| Long Term Bank Facilities  | 238.45           | CARE A+; Stable     | Upgraded from CARE A; Stable |
| Short Term Bank Facilities | 35.00            | CARE A1             | Reaffirmed                   |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the long-term rating assigned to the bank facilities of Shaily Engineering Plastics Limited (SEPL) takes into account healthy scaling up of operations along with improvement in profitability in 9MFY25 (FY refers to the period April 01 to March 31) backed up growth in both of its key segments, i.e. consumer and healthcare, translating into healthy financial risk profile of the company. The ratings also take cognizance of new contracts received by SEPL in both these segments indicating good revenue visibility for the company.

The ratings continue to derive strength from its established presence in the plastic injection moulding business, vast experience of promoters in the plastic packaging industry and established relationship with reputed clientele across diverse end-user industries.

The above rating strengths are, however, partially offset by SEPL's high customer and segmental concentration, moderate bargaining power with its large-size customers and vulnerability of its profitability to raw material price volatility and exchange rate fluctuations. Ratings also factor in project implementation and stabilisation risk associated with capex being undertaken in SEPL.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained growth in its total operating income (TOI) to more than Rs. 1500 crore along with PBILDT margin of 22% on a sustained basis.
- Scaling up of healthcare segment resulting in greater segmental and customer diversification.

#### Negative factors

- Decline in its TOI to less than Rs.650 crore on the back of lower off-take by its key customers or moderation in PBILDT margin below 15% on a sustained basis.
- Increase in working capital intensity or any large debt funded capex resulting in significant moderation in its financial risk profile.

### Analytical approach: Consolidated

The analytical approach has been considered consolidated to factor the performance of its wholly owned subsidiaries. List of subsidiaries has been attached as Annexure 6.

### Outlook: Stable

The Stable outlook 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

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

During 9MFY25, SEPL reported y-o-y growth of 19.43% in its total operating income (TOI) to Rs.571.16 crore (9MFY24: Rs. 478.23 crore) owing to growth in revenue from both its key segments, i.e. consumer and healthcare. SEPL's revenue is largely generated from three segments, with consumer segment being the highest contributor, accounting for 73% of total sales (75% in FY24) in 9MFY25 followed by healthcare segment at 19% (17% in FY24) and industrial segment at 8% (9% in FY24).

With growth in scale of operations resulting in better absorption of overheads as well as higher contribution of the healthcare segment, PBILDT margin of the company improved by 344 bps to 21.67% in 9MFY25 (9MFY24: 18.23%). Consequently, PAT

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

margin also improved by 336 bps to 11.30% in 9MFY25 (9MFY24: 7.94%). The company reported gross cash accruals of Rs.96.53 crore in 9MFY25 as against Rs. 64.20 crore in 9MFY24.

Going forward, CARE Ratings expects growth in the company's scale of operations and profitability supported by addition of new customers in both, i.e. consumer & healthcare segment and increase in contribution of healthcare segment to overall TOI.

**Comfortable financial risk profile**

SEPL's financial risk profile improved with overall gearing of 0.38 times as on December 31, 2024, as against 0.46 times at FY24 end. With improvement in profitability, debt coverage indicators strengthened with interest coverage of 9.50 times and total debt to GCA of 1.41 years in 9MFY25 (compared to 6.33 times and 2.16 years respectively in FY24).

Further, SEPL is planning on undertaking a capex in healthcare segment for increasing the pen manufacturing capacity from 45 million pens to ~85 million pens in FY26. The total cost of the capex is estimated to be Rs.100 crore to be funded by the mix of customer advances and the internal accruals of the company. Considering the expansion type of project with favourable funding mix, project risk remains low.

**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, SEPL has developed a diverse portfolio across home furnishing, healthcare, fast moving consumer goods (FMCG) and automobile sector.

**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.

**Key weaknesses****High customer concentration with moderate bargaining power**

Consumer segment remains SEPL's largest segment, accounting for approximately 73% of its TOI in 9MFY25. 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's liquidity remained adequate marked by sufficient cushion available in the form of gross cash accruals vis-à-vis the annual debt repayment obligations and stable operating cycle of 71 days (FY23: 74 days) during FY24. Going forward, SEPL is expected to generate annual cash accruals of around Rs.133-crore which is sufficient to meet its routine capex requirement of around Rs.50-60 crore and schedule debt repayment of Rs.38 crore in the projected period. Further, utilisation of fund-based working capital borrowing remained moderate at 62% during the trailing 12-months ended December 2024. Also, as on December 31, 2024, SEPL had free cash and bank balance of Rs.14.49 crore.

**Assumptions/Covenants: Not Applicable**

**Environment, social, and governance (ESG) risks:**

| Particulars*         | Compliance and action taken by the company   |
|----------------------|--|
| <b>Environmental</b> | <ol style="list-style-type: none"> <li>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.</li> <li>2. For the year 2024, 36.06% of raw material used was from post-industrial recycled polymer</li> <li>3. Uses packaging material from supplier with FSC (Forest Stewardship Council) certification with Chain of Custody (CoC) across the supply chain.</li> <li>4. The company has implemented and installed energy efficient instruments and processes across the plants resulting into conservation of energy and water</li> </ol> |
| <b>Social</b>        | <ol style="list-style-type: none"> <li>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.</li> </ol>   |
| <b>Governance</b>    | <ol style="list-style-type: none"> <li>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.</li> <li>2. During FY24, 50% of SEPL's board comprised independent directors</li> </ol>  |

**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 and Combined Approach](#)
**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) | 9MFY25 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income     | 599.71             | 645.93             | 571.16      |
| PBILDT                     | 87.80              | 120.07             | 123.75      |
| PAT                        | 29.99              | 57.29              | 64.52       |
| Overall gearing (times)    | 0.47               | 0.46               | 0.38        |
| Interest coverage (times)  | 4.61               | 6.33               | 9.50        |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**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   |      | -                | -               | August 2030   | 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 2025-2026 | 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 |
| 1       | Fund-based - LT-Term Loan              | LT              | 98.45                        | CARE A+; Stable | -   | 1)CARE A; Stable (09-Oct-24)                | 1)CARE A; Stable (04-Sep-23)                | 1)CARE A; Stable (12-Aug-22)                |
| 2       | Fund-based - LT-Cash Credit            | LT              | 140.00                       | CARE A+; Stable | -   | 1)CARE A; Stable (09-Oct-24)                | 1)CARE A; Stable (04-Sep-23)                | 1)CARE A; Stable (12-Aug-22)                |
| 3       | Fund-based - LT-Cash Credit            | LT              | -                            | -               | -   | -   | 1)Withdrawn (04-Sep-23)                     | 1)CARE A; Stable (12-Aug-22)                |
| 4       | Non-fund-based - ST-BG/LC              | ST              | 35.00                        | CARE A1         | -   | 1)CARE A1 (09-Oct-24)                       | 1)CARE A1 (04-Sep-23)                       | 1)CARE A1 (12-Aug-22)                       |

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                    | Wholly Owned Subsidiary     |
| 2     | Shaily Innovations FZCO      | Full                    | Wholly Owned Subsidiary     |

**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](mailto:care@careedge.in) for clarifications.

### Contact us

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