May 2026

Initiating Coverage | Sector: Plastic Products

Shaily Engineering Plastics

Scaling complexity: Healthcare at the core

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Scaling complexity: Healthcare at the core

- Shaily Engineering Plastics (SHEP) has nearly four decades of rich experience in manufacturing high-precision, innovative, and quality products. The company has a diversified business across various industries, such as healthcare, consumer, personal care, appliances, automotive, and lighting. It caters to global industry leaders such as IKEA, Unilever, Gillette, P&G, GE, and Garrett. It is also among select global players specializing in complex products such as IP-led insulin and GLP-1 pens.
- SHEP's Healthcare segment has made significant strides over the past year. The patent for semaglutide expired in Mar'26 in some of the major emerging markets, including India, Canada, and Brazil, paving the way for generic drugmakers to enter these markets. Notably, in most GLP-1 engagements, SHEP has been selected as the sole device supplier, underscoring the confidence of global majors in its capabilities. Given the vast opportunity, order book visibility, and customer expansion, SHEP plans to expand its pen manufacturing capacity fivefold to over 150m units by 4QFY28, with a total planned investment of ~INR6b. This high-margin segment revenue is expected to be ~INR8.8b by FY28E at 50% CAGR over FY26-28E and account for >50% of revenue by FY28 (FY23: ~10%), supporting high EBITDA margin and robust cash flows.
- We expect the strong growth momentum to continue, supported by volume commitments from key Healthcare customers. We expect SHEP to clock 29%/38%/43% CAGR in revenue/EBITDA/PAT over FY26-28, with EBITDA margin sustaining at 32%+. We expect its RoE/RoCE to expand to ~28%/36% in FY28E. An expected OCF of ~INR8b over FY26-28 will support augmenting GLP-1 pen capacity by ~5x.
- We initiate coverage on SHEP with a BUY rating and a TP of INR3,404 (26% upside potential), based on 45x FY28E P/E (~+1 SD of its 10-year mean). Strong earnings growth and cash flows, along with expansion in return ratios, will support such valuation, in our view.

Shaily Engineering Plastics

BSE Sensex	S&P CNX
75,415	23,719

CMP: INR2,695 TP: INR3,404 (+26%) Buy

Stock Info

Bloomberg	SHEP IN
Equity Shares (m)	46
M.Cap.(INRb)/(USDb)	123.9 / 1.3
52-Week Range (INR)	2847 / 1534
1, 6, 12 Rel. Per (%)	42/18/54
12M Avg Val (INR M)	659

Financials Snapshot (INR b)

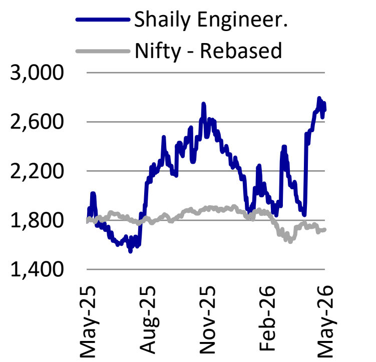
Y/E MARCH	FY26	FY27E	FY28E
Sales	9.9	12.6	16.5
EBITDA	2.8	3.8	5.3
Adj. PAT	1.7	2.4	3.5
Adj. EPS (INR)	37.0	52.1	75.6
EPS Gr. (%)	82.5	41.0	45.1
BV/Sh. (INR)	156	204	274
Ratios			
RoE (%)	23.7	25.5	27.6
RoCE (%)	29.3	33.0	36.3
Payout (%)	8.1	7.7	7.9
Valuations			
P/E (x)	72.9	51.7	35.6
P/BV (x)	17.3	13.2	9.8
EV/EBITDA (x)	44.8	32.9	23.6
Div. Yield (%)	0.1	0.1	0.2

Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	43.4	43.4	43.7
DII	10.6	13.6	13.7
FII	16.7	12.0	7.4
Others	29.3	31.0	35.2

FII includes depository receipts

Stock's performance (one-year)



Scaling complexity: Healthcare at the core

Rich experience in making high-precision products for global brands

Shaily Engineering Plastics (SHEP) has nearly four decades of rich experience in manufacturing high-precision, innovative, and quality products. The company has a diversified business across various industries, such as healthcare, consumer, personal care, appliances, automotive, and lighting. It caters to global industry leaders such as IKEA, Unilever, Gillette, P&G, GE, and Garrett. It is also among select global players specializing in complex products such as IP-led insulin and GLP-1 pens.

Healthcare: On a strong footing to achieve multifold growth

SHEP's Healthcare segment has made significant strides over the past year. The patent for semaglutide expired in Mar'26 in some of the major emerging markets, including India, Canada, and Brazil, paving the way for generic drugmakers to enter these markets. Notably, in most GLP-1 engagements, SHEP has been selected as the sole device supplier, underscoring the confidence of global majors in its capabilities. Given the vast opportunity, order book visibility, and customer expansion, SHEP plans to expand its pen manufacturing capacity fivefold to over 150m units by 4QFY28, with a total planned investment of over INR6b. This high-margin segment revenue is expected to be INR8.8b by FY28E at 50% CAGR over FY26-28E and account for >50% of revenue by FY28 (FY23: ~10%), supporting high EBITDA margin and robust cash flows.

Consumer electronics and semiconductors are optionality plays

SHEP is also exploring opportunities within the component value chain of the consumer electronics and semiconductor industries. While management has yet to share concrete details, we believe this foray could emerge as a significant growth driver for the company starting 2026, given the robust potential in these industries and SHEP's focus on high-value, niche, and complex plastic components. An INR5b fund-raising plan will help SHEP to encash any strategic growth opportunity coming its way.

Robust financial outlook driven by high-margin Healthcare segment

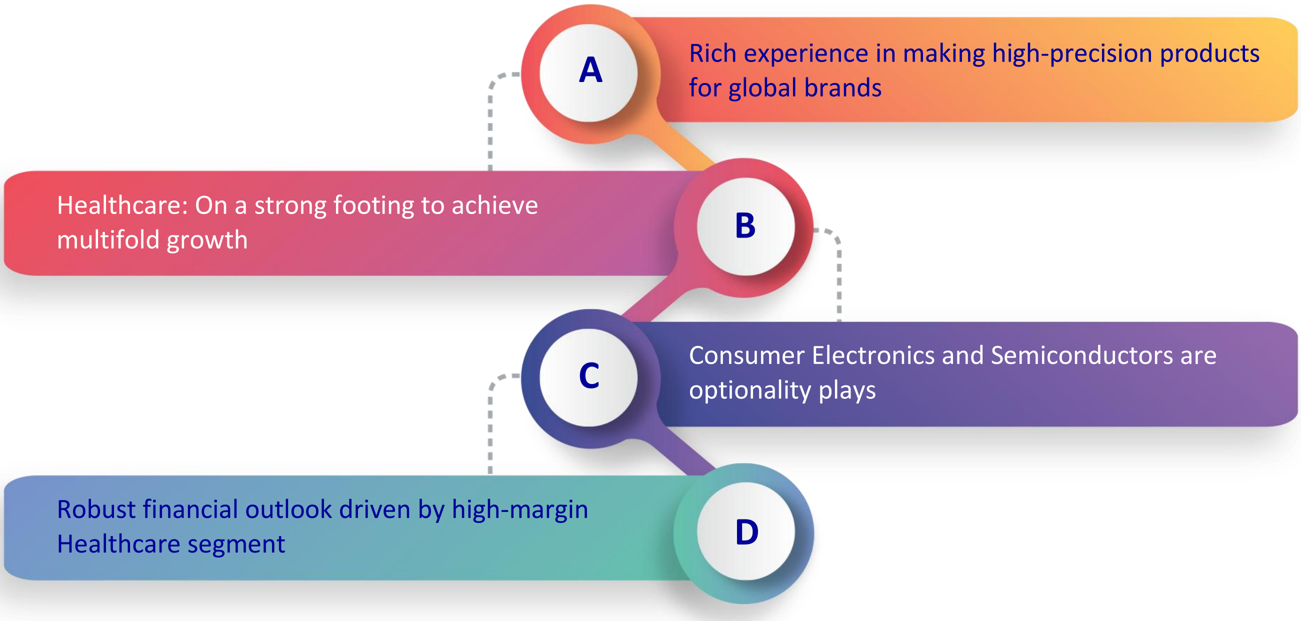
After clocking 26%/59%/82% YoY growth in revenue/EBITDA/PAT in FY26, its EBITDA margin expanded to 28.2% from 22.4% in FY25, aided by the Healthcare segment. We expect the growth momentum to sustain at 29%/38%/43% CAGR over FY26-28, with a 32%+ EBITDA margin in FY28, driven by volume commitments from key healthcare customers. A robust RoE/RoCE (~28%/36% in FY28E) and OCF (~INR8b over FY26-28) will support augmenting GLP-1 pen capacity by ~5x.

Valuation and view – Initiate coverage with a BUY

We initiate coverage on SHEP with a BUY rating and a TP of INR3,404 (26% upside potential), based on 45x FY28E P/E (~+1 SD of its 10-year mean). Strong earnings growth and cash flows, along with expansion in return ratios, will support such valuation, in our view. **Key risk:** SHEP's stock price has risen over 50% in a year and ~5x/10x in the last 2/3 years on the back of its strong earnings growth. While we project robust earnings growth to sustain, any large miss could lead to a de-rating in the scrip's valuation, in our view.

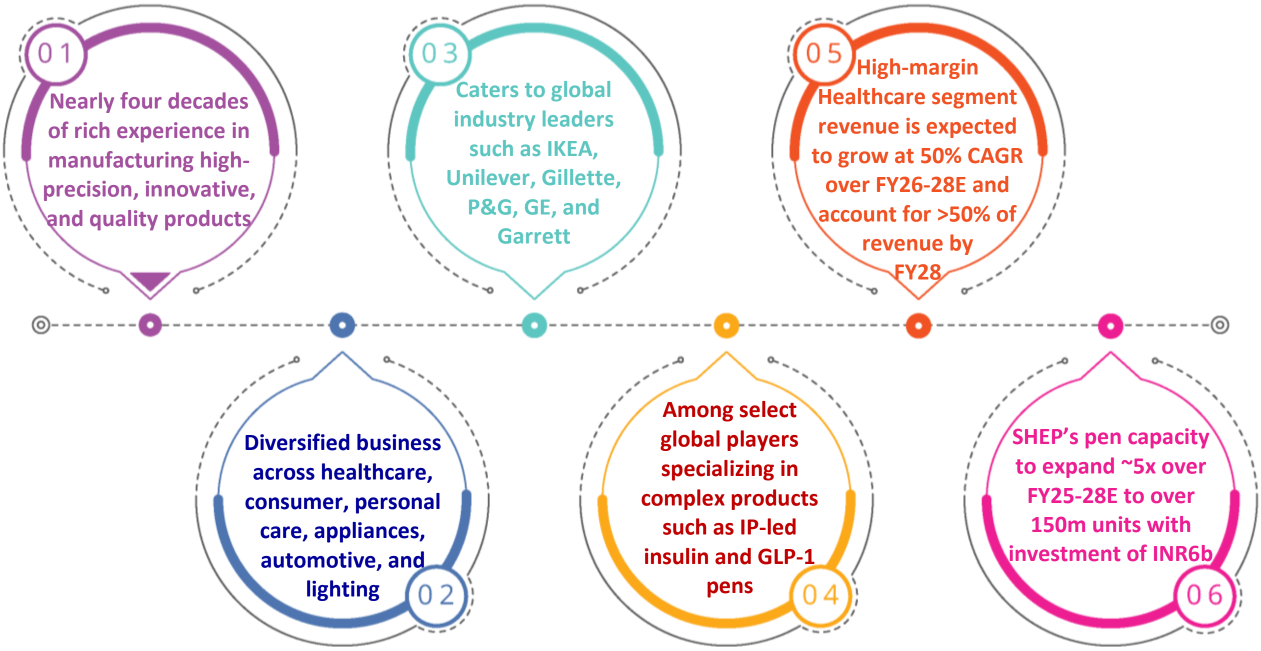
STORY IN CHARTS

Investment Arguments

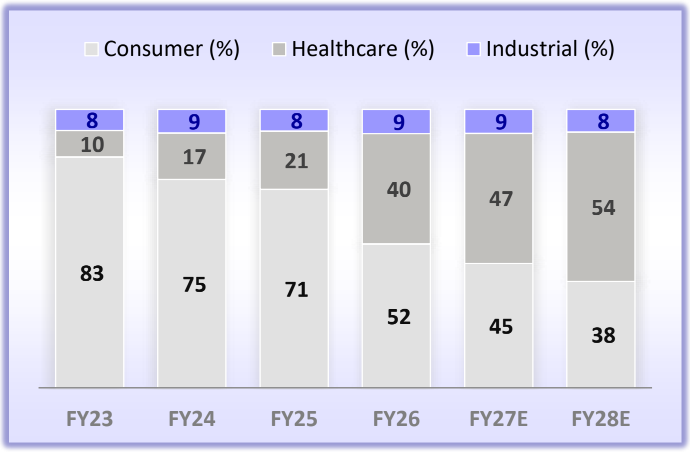


Source: Company

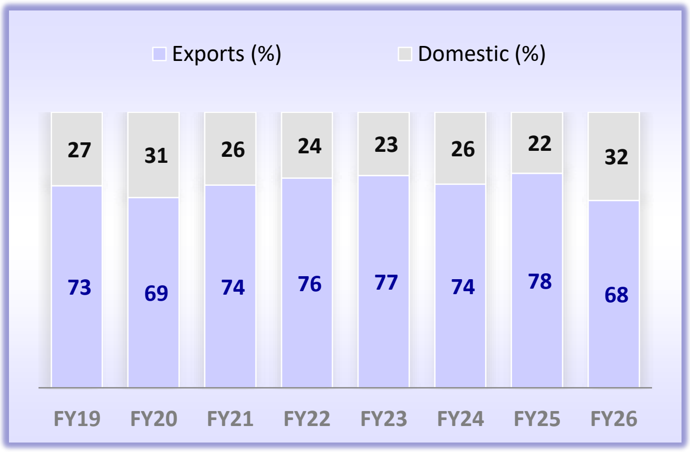
SHEP: Scaling complexity - Healthcare at the core



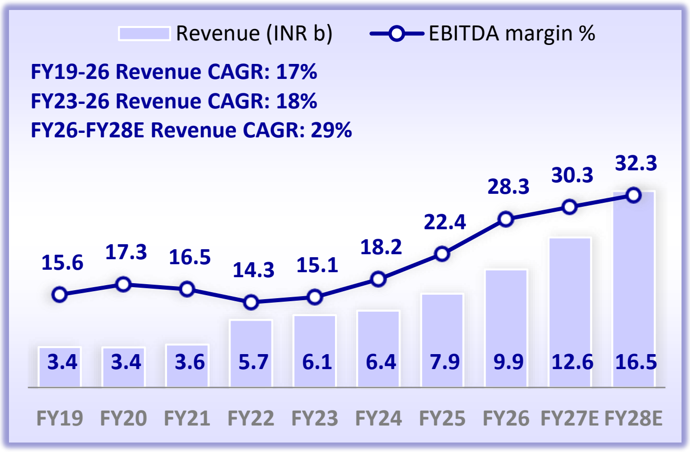
Healthcare revenue mix to cross 50% by FY28



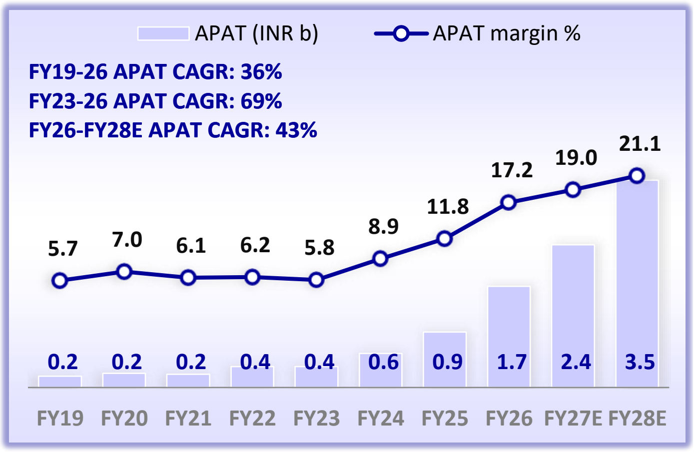
Exports contributed 68% to FY26 revenue



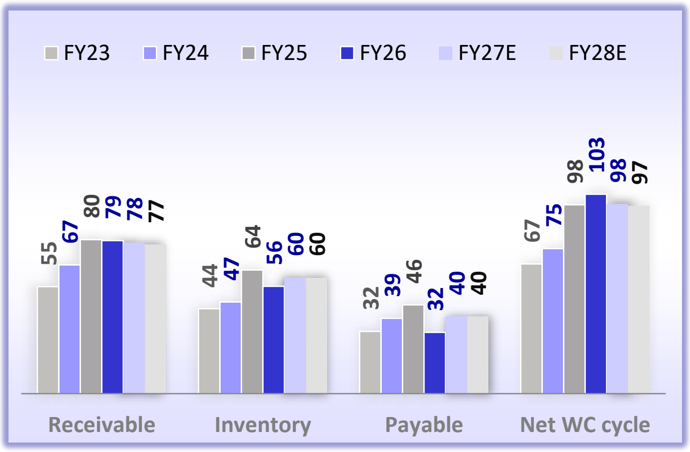
Expect 29% revenue CAGR over FY26-28, with EBITDA margin crossing 32%…



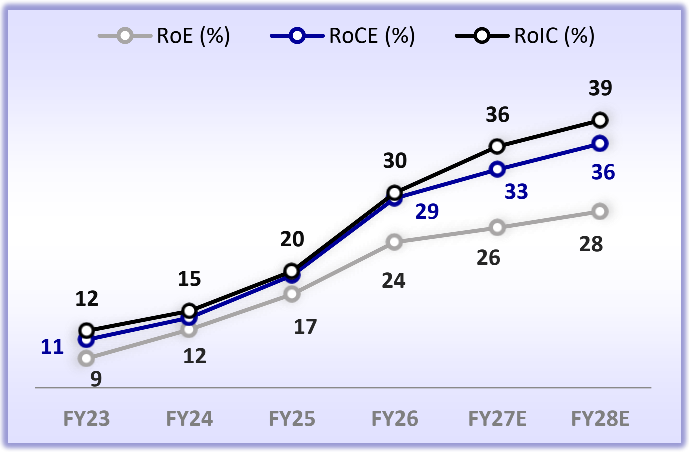
…and a 43% CAGR in APAT over FY26-FY28, with APAT margin reaching ~21% in FY28



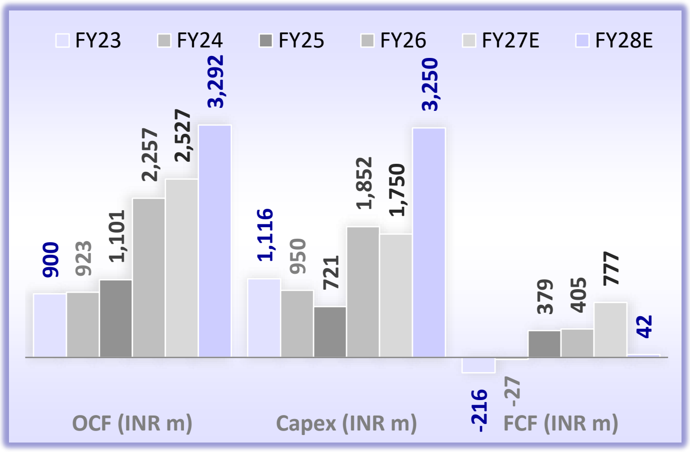
Working capital cycle (days) expected to tighten…



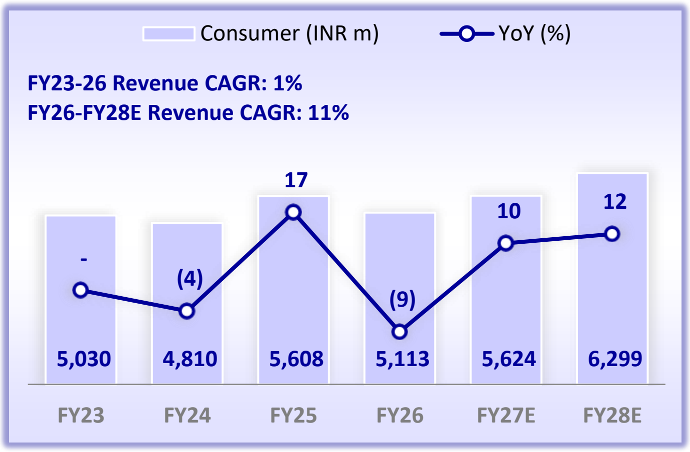
…return ratios to significantly expand



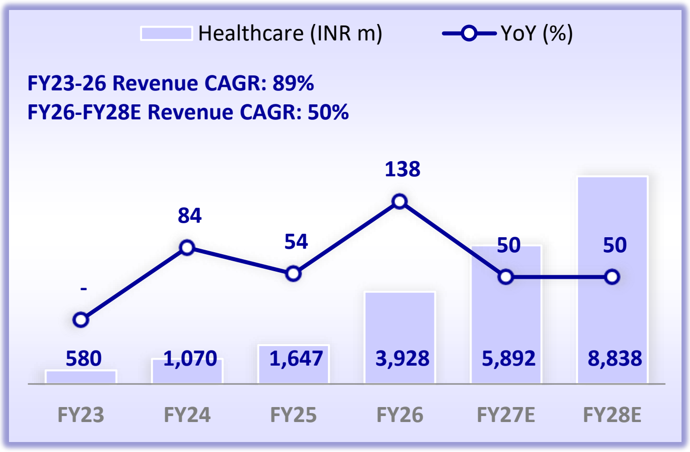
Strong OCF; aggressive capex to temporarily limit FCF



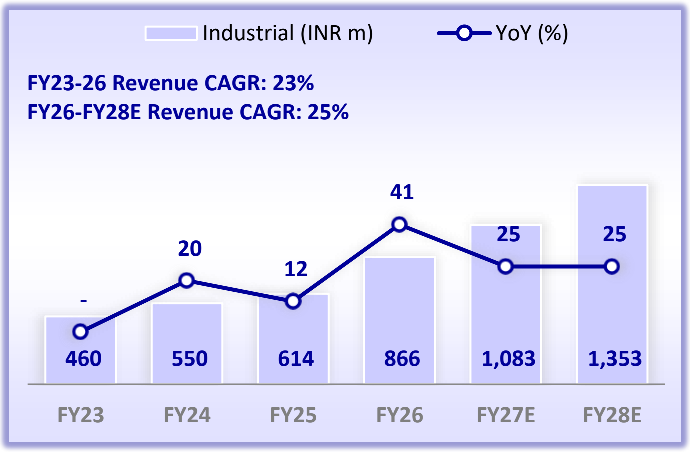
Consumer segment to maintain soft growth



Healthcare segment to drive overall growth for SHEP



Industrial segment sees healthy revival in the order book

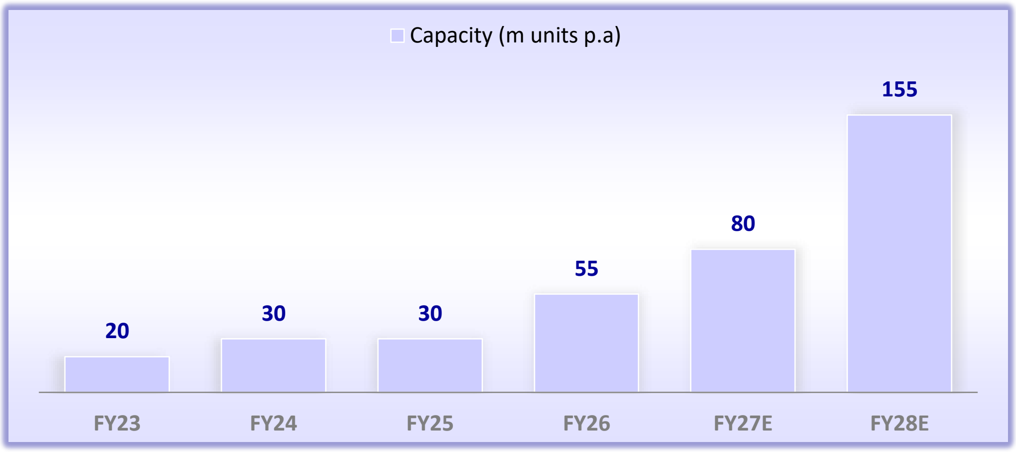


EPS sensitivity analysis

Revenue (FY27, INR b)	10.6	11.6	12.6	13.6	14.6
EBITDA margin (FY27)			**EPS (INR)**		
26.3%	35	39	44	48	52
28.3%	39	43	48	53	57
30.3%	42	47	**52**	57	62
32.3%	46	51	56	62	67
34.3%	49	55	61	66	72

Revenue (FY28, INR b)	12.5	14.5	16.5	18.5	20.5
EBITDA margin (FY28)			**EPS (INR)**		
28.3%	46	55	65	74	83
30.3%	50	60	70	80	90
32.3%	54	65	**76**	86	97
34.3%	58	70	81	93	104
36.3%	62	75	87	99	111

SHEP's pen capacity to expand ~5x over FY25-28E



Key highlights from the management commentary (4QFY26 conference call)

- **Fund raise:** SHEP approved an enabling resolution to raise INR5b via QIP to support capex across segments whenever any opportunity arises.
- **Current high margins are sustainable** and may improve further with rising healthcare revenue.
- **Capex:** ~INR.3.5b in the Abu Dhabi plant; ~INR1b in the semiconductor product plant in South India.
- **Consumer:** Weak demand across the US and Europe continued to hurt sales; however, SHEP's focus remained on adding new customers and products, confident that demand would revive soon.
- **Healthcare:** 1) SHEP launched Shaily Harmony and Shaily Neo pens with multiple customers for Semaglutide in India and other markets; Dr. Reddy's Semaglutide pens are being well received in India; 2) 70% of the first six filers in Canada are using Shaily's devices (two customers received approval); approval in Brazil, Turkey, and Mexico to follow soon; 3) IP-led partnership provides long-term association with pharma OEMs with a very high cost of switching (~INR1.5b) to other device manufacturers; 4) EMA approval has been received by a customer for Teriparatide for the EU market; 5) eye applicator for one customer, which is an import substitution opportunity, is expected to be commercialized in FY27; 6) Pens' capacity/volume of 30m/23.5m in FY26 includes small volume of GLP-1 devices; 7) Plans to augment GLP-1 pen capacity/sales-volume: FY27 50m/35m; FY28 125m/55m (h) Abu Dhabi plant having 75m pens capacity is expected to be operational by end-FY28.
- **Consumer Electronics/Semiconductor:** (a) SHEP commenced commercial supplies to consumer electronics customer; a fairly large opportunity over 3-5 years; expects good margins at USD15m revenue (b) targeting high-complexity products for OSAT players initially in consumer electronics (c) Signed an agreement with a Korean company for the manufacture & supply of semiconductor trays (volume-based product); aims to start supplies from 4QFY27 and cover all fab manufacturers in India.

Exhibit 1: Quarterly performance

(INR m)	4QFY25	1QFY26	2QFY25	3QFY26	4QFY26	YoY %	QoQ %	FY26	FY25	YoY %
Revenue	2,178	2,467	2,567	2,505	2,368	9	(5)	9,907	7,868	26
EBITDA	545	683	793	663	656	20	(1)	2,796	1,761	59
PAT	286	411	513	374	402	40	7	1,699	931	82
EPS (INR)	6.2	8.9	11.2	8.1	8.7			37.0	20.3	
As % revenue						**YoY (bps)**	**QoQ (bps)**			**YoY (bps)**
Gross margin	51.7	51.2	59.3	58.4	59.0	731	60	57.0	47.2	982
EBITDA margin	25.0	27.7	30.9	26.5	27.7	269	122	28.2	22.4	585
PAT margin	13.1	16.7	20.0	14.9	17.0	383	203	17.2	11.8	532
Geography revenue (INR m)										
Exports	1,624	1,713	1,590	1,686	1,279	(21)	(24)	6,268	5,808	8
Domestic	409	538	766	679	961	135	42	2,943	1,573	87
UK subsidiary (platform fees)	145	216	210	141	128	(12)	(9)	695	487	43
Segment revenue mix (INR m)						**YoY %**	**QoQ %**			**YoY %**
Consumer	1,481	1,514	1,349	1,228	1,021	(31)	(17)	5,112	5,609	(9)
Healthcare	560	772	986	1,043	1,128	101	8	3,929	1,647	139
Industrial	137	181	232	234	219	60	(6)	866	613	41
UK subsidiary (C-S)						**YoY %**	**QoQ %**			**YoY %**
Revenue	145	216	210	141	128	(12)	(9)	695	487	43
EBITDA	66	76	116	27	28	(58)	2	248	325	(24)
PAT	(9)	52	102	17	(85)			86	222	(61)

Source: Company, MOFSL

Mr. Mahendra Sanghvi
Executive Chairman
(Founder)

Mr. Amit Sanghvi
Managing Director

Rich experience in making high-precision products

- **SHEP is a nearly four-decade-old company and was founded by Mr. Mahendra (Mike) Sanghvi in 1987. Since its inception, the company has evolved from a two-machine start-up to become India's leading exporter of high-precision engineered plastic products.**
- **It has seven manufacturing facilities at two locations, with over 200 molding machines ranging from 35 to 1,000 tons.**
- **Having started with home furnishings, SHEP has, over the years, de-risked its business model by prudently diversifying across verticals (healthcare, personal care, appliances, automotive, and lighting). This move has not only strengthened relationships with existing customers but also enabled the addition of new customers.**
- **Global certifications (IATF, ISO, MDSAP) help in receiving product approvals swiftly.**
- **SHEP's long-standing relationships with marquee global customers such as IKEA, Unilever, P&G, Garrett (erstwhile Honeywell), and GE Appliances are a testimony to its manufacturing prowess.**
- **Further, the establishment of the Shaily Innovation Center in the UK has strengthened the company's competitive positioning through proprietary IP in self-use drug delivery systems, placing it among a select group of global players specializing in such products.**

Addressing the needs of marquee global clients in a niche area

Having started its journey in 1987 with just two molding machines, SHEP today operates over 200 machines across seven plants located in Rania and Halol in Gujarat. The company is engaged in the manufacturing of high-precision injection-molded plastic components and sub-assemblies, meeting the needs of marquee brands globally. It also offers secondary operations in plastics like vacuum metalizing, hot stamping, and ultrasonic welding. Global quality certifications have helped SHEP cater to marquee global customers across a wide range of industries, such as home furnishing, personal care, pharmaceuticals, switchgear components, auto components, electronics, and electrical appliances. SHEP is one of the few global players to have specialized in proprietary IP for self-use drug delivery systems (set up an innovation center in the UK), thereby creating a strong competitive advantage for itself.

Exhibit 2: SHEP's core capabilities

NPD	Manufacturing	Quality	Sustainability
• Tool design • Mold flow • Process design • Automation • Polymer Selection	• Precision molding • Decoration & Printing • Assembly • Automation	• Regulatory compliance • Robust QA/QC processes • Testing protocol • Continuous improvement	• Social compliance • Renewable energy • Recycled / biodegradable plastics

Source: Company

Long-standing relationships with reputable global and domestic clients

Over the years, SHEP has built long-standing relationships with leading global and domestic clients across a wide range of end-user industries. The company's focus on precision molding (a niche segment) has made it the sole supplier of various products to several repeat customers (leaders in their respective segments), enabling it to deepen integration between organizations. Key customers such as IKEA, Unilever, GE, P&G, and Garrett have maintained relationships with SHEP for over 10-25 years.

Exhibit 3: Key marquee global clientele

Consumer	Industrial	Healthcare
Gillette	GE Appliances	Dr. Reddy's
P&G	Garrett Advancing Motion	Sun Pharma
Hindustan Unilever	MABE	Aurobindo Pharma
IKEA	Phoenix Mechano	Sanofi
Corvi	Amvian	Alembic
Lidl	Schaeffler	Zydus
Lowes		Alvogen
		Cadila
		Aspen

Source: Company

Make in India and customers' China+1 strategy to augur well for SHEP

We believe SHEP is well-placed to capitalize on the Government of India's (GoI) *Make in India* push and the growing acceptance among Western customers for India-made products under the China+1 strategy. Following the pandemic, several quality-driven downstream customers began reorienting their supply chains away from China to diversify their sourcing risks. In an increasingly bipolar global environment, developed markets are likely to expand non-China procurement. We believe these developments have opened meaningful opportunities for quality-driven players like SHEP. To capitalize on this trend, the company has accelerated its capex intensity over the last 4-5 years, building capacities especially in the Healthcare and steel furniture segments. By venturing into these new segments, SHEP is positioning itself to explore untapped markets, capitalize on emerging trends, and increase revenue streams.

Healthcare: On a strong footing to grow multifold

- **The patent for semaglutide expired in Mar'26 in some of the major emerging markets, including India, Canada, and Brazil, paving the way for generic drugmakers to enter these markets.**
- **Over the past year, SHEP has made significant strides in the segment, underpinned by strong demand in the GLP-1 space and an innovation-driven approach.**
- **To meet this accelerating demand, SHEP is expanding its pen and auto-injector manufacturing capacity by over 50m units annually, backed by an investment of ~INR1.5b. Of this, 25m units capacity already commissioned in Mar'26; another 25m unit capacity is likely to be commissioned in Jul/Aug'26 to take the total capacity to 80m units.**
- **SHEP has also announced plans to set up a facility in Abu Dhabi to manufacture 75m unit pens at ~INR3.5b investment. This plant is expected to be operational by 4QFY28.**
- **After clocking a 89% revenue CAGR over FY23-26, management expects the strong growth momentum to sustain, backed by sizable contracts from international pharmaceutical majors and capacity expansion commitments. Thus, we model a 50% revenue CAGR in the Healthcare segment over FY26-28E and INR8.8b revenue by FY28.**
- **From contributing ~10% to total revenue in FY23, this high-margin segment is now expected to account for half of SHEP's revenue by FY28, supporting the overall EBITDA margin at ~32% and driving robust cash flows.**

We model Healthcare revenue to be ~INR8.8b by FY28 at a 50% revenue CAGR over FY26-28E

Healthcare – the second-largest and fastest-growing segment

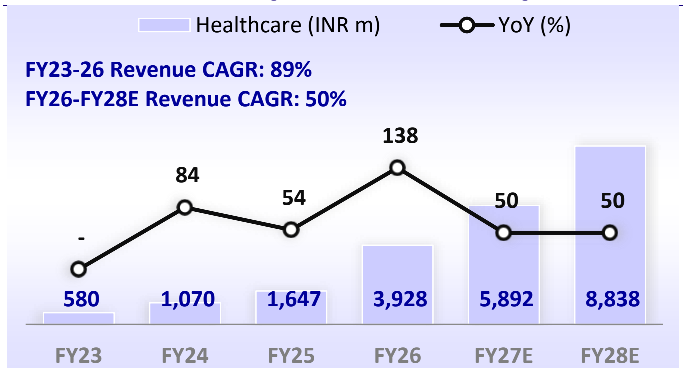
The Healthcare segment has emerged as SHEP's fastest-growing and most catalytic segment, driving margins, order book visibility, and customer expansion. The company ventured into the devices segment in the early 2000s and is now among the few global suppliers of self-use injection systems for drug delivery, catering to marquee global brands. The company created the world's first insulin pen made of 100% plastic. It also possesses expertise in assisting clients with compliance and regulatory filings. The establishment of the Shaily Innovation Center in the UK has enabled it to build a strong pipeline of IP-led, next-generation drug delivery devices.

From contributing ~10% to total revenue in FY23, the high-margin Healthcare segment is expected to account for half of SHEP's revenue by FY28, supporting the overall EBITDA margin at ~32% and driving robust cash flows

We model Healthcare revenue of INR8.8bn by FY28 at 50% CAGR (FY26-28E)

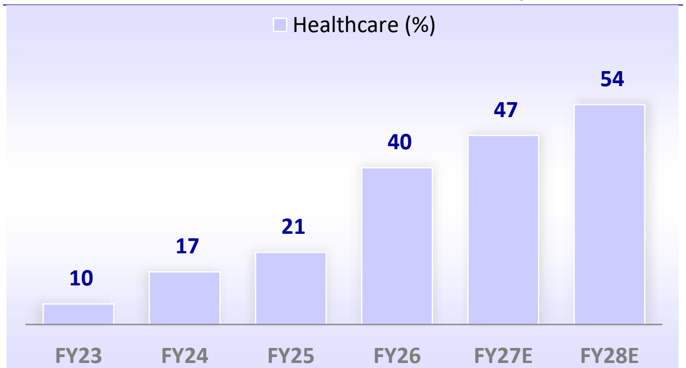
After clocking a 89% revenue CAGR over FY23-26, management expects strong growth momentum to sustain in the medium term, supported by healthy order book visibility. Thus, we model an 50% revenue CAGR in the Healthcare segment over FY26-28E. From contributing ~10% to total revenue in FY23, this high-margin segment is now expected to account for half of SHEP's revenue by FY28, supporting the overall EBITDA margin at ~32% and driving robust cash flows.

Exhibit 4: Healthcare segment to drive overall growth…



Source: Company, MOFSL

Exhibit 5: …and reach >50%+ of revenue mix by FY28



Source: Company, MOFSL

SHEP is expanding pen and auto-injector manufacturing capacity by over 50m units annually, backed by an investment of ~INR1.5b. These capacities are scheduled to be commissioned in two phases and reach 80m+ units of total capacity by Jul/Aug'26.

SHEP plans to set up a new facility in Abu Dhabi for manufacturing medical devices. The plant will have a capacity to manufacture 75m units of pen injectors at an investment of ~INR3.5b, and is expected to be operational by 4QFY28

Key clients: Dr. Reddy's, Sun Pharma, Aurobindo, Sanofi, Alembic, Zydus, Alvogen, Cadila, Aspen, Teva, Glenmark, Stelis Biopharma, Recipharm, Lupin, Natco, Wockhardt, and Orbicular.

Healthcare segment - key growth drivers

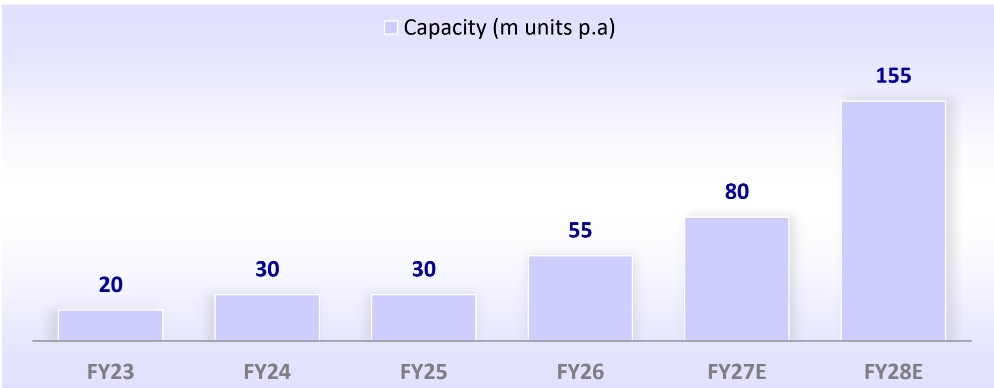
- Rising global demand for injectable drug delivery systems
- Strong growth of GLP-1 therapies (diabetes and obesity)
- Increasing adoption of patient-friendly devices (pens, auto-injectors, wearables)
- Expansion of specialty therapies needing advanced delivery (HGH, FSH, PTH, peptides, oncology, hormones)
- Higher demand from regulated markets (US, Europe)
- Growing focus on IP-led and innovative drug delivery technologies

Huge capacity addition, backed by volume commitment from customers

Over the past year, SHEP's Healthcare segment has made significant strides, underpinned by strong demand in the GLP-1 space and an innovation-driven approach. The company is in discussions with customers for long-term commitments (up to 3-5 years) on volume capacity allocation, aligned with its long-term manufacturing capacity expansion plans and evolving market dynamics. To meet this accelerating demand, particularly for GLP-1 therapies, SHEP is expanding pen and auto-injector manufacturing capacity by over 50m units annually, backed by an investment of ~INR1.5b. Of this, 25m units capacity already commissioned in Mar'26; another 25m unit capacity is expected to be commissioned in Jul/Aug'26 to take the total capacity to 80m units.

Strategic capacity expansion in Abu Dhabi to support global GLP-1 opportunity:
SHEP has announced plans to set up a new facility in Abu Dhabi for manufacturing medical devices. The plant will have a capacity to manufacture 75m units of pen injectors at an investment of ~INR3.5b, and is expected to be operational by 4QFY28. This will help SHEP to expand its global manufacturing footprint and enhance proximity to international customers. The company plans to fund the capex through internal cash flows and debt, and is also in discussions with the Abu Dhabi Investment Office (ADIO) for potential financial support.

Exhibit 6: SHEP's pen capacity to expand ~5x over FY25-28E



Source: Company, MOFSL

SHEP's key drug delivery devices

- **Shaily Tristan Auto-Injector:** A three-step auto-injector with automatic needle insertion, designed for the delivery of *Dulaglutide* and *Terzepatide*
- **Shaily Toby Auto-Injector:** A two-step auto-injector developed for the delivery of *Semaglutide*
- **ShailyPen Neo:** A spring-driven pen injector available in both variable and fixed dose formats, created for GLP-1 delivery
- **ShailyPen Protean:** A versatile 0-60 IU insulin pen, available in reusable or disposable formats, and adaptable for alternate therapies, including triple-dose and single-dose peptide delivery
- **ShailyPen Axiom:** Designed for multiple therapies, including Human Growth Hormone (HGH), Follicle Stimulating Hormone (FSH), Parathyroid Hormone (PTH), and GLP-1 treatments
- **ShailyPen Maxim:** A 0–80 IU insulin pen, available in reusable or disposable versions, offering single-dose administration

Exhibit 7: SHEP's drug delivery devices

Source: Company

Exhibit 8: Parts of an insulin pen

Source: Company

The global pen injector market was valued at USD40b in 2024 and is projected to exceed USD60b by 2030. The growth of GLP-1 drugs is inseparable from the expansion of the pen injector market

SHEP's readiness in the global pen injector market via IP-led platforms

SHEP's development and manufacturing of proprietary IP-based self-use drug delivery systems has been seeing traction since the last five years, and is slated to witness strong growth. The company has collaborated with large multinational pharmaceutical companies in designing and manufacturing medical devices considered integral to the launch of select GLP-1 block buster drugs (*Semaglutide, Liraglutide, Terzipetide, Abaloparatide, Dulaglutide*, to name a few). Through Shaily Innovations Limited, UK, the company has designed and developed seven IP-led drug delivery injectable devices, majorly focused on GLP-1 drugs, among other therapies, anticipating substantial global opportunity across these segments.

Global pen injector market: The global pen injector market was valued at USD40b in 2024 and is projected to exceed USD60b by 2030. Rising chronic disease prevalence and the global diabetes epidemic are pushing demand, while innovations like dose memory, ergonomic designs, and reusable formats are redefining convenience and sustainability. Patients and physicians alike increasingly favor pens for their precision, safety, and ease of use.

The patent for semaglutide expired in Mar'26 in some of the major emerging markets, including India, Canada, and Brazil, paving the way for generic drugmakers to enter these markets.

GLP-1 therapies have emerged as a game changer: GLP-1 therapies are increasingly being recognized as transformative treatments, effectively addressing two of the world's fastest-growing health challenges—diabetes and obesity—with remarkable efficacy. Beyond blood sugar control, they promote weight loss, reduce appetite, and even offer cardiovascular protection, extending their relevance far beyond traditional diabetes care. Since these treatments are protein-based, they rely almost entirely on pen injectors for safe, precise delivery. The growth of GLP-1 drugs is, therefore, inseparable from the expansion of the pen injector market. With global diabetes projected to cross one billion cases by 2050 and obesity rising rapidly, the demand curve for injectors is steep and enduring.

Entry of generic drugmakers post patent expiry to boost demand for pens and injectors: The patent for semaglutide expired in Mar'26 in some of the major emerging markets, including India, Canada, and Brazil, paving the way for generic drugmakers to enter these markets. The opportunity size for drug device manufacturers is expected to be substantial. For example, Dr Reddy's alone aims to sell 12m injectable semaglutide pens in the first year of launch in India. Further, India's strong generic manufacturing base positions SHEP favorably, given that many domestic generic manufacturers are launching generic versions globally.

Competition in GLP-1 therapy remains limited due to: a) High switching costs for pharma companies, as filings for the drug also specify the pen vendor. Thus, switching vendors would require refiling with regulatory authorities, and b) Limited capacity, which is dominated by a few key companies.

Limited competition: SHEP competes with global firms such as Ypsomed AG, Becton Dickinson, Gerresheimer, and SHL Medical in the Healthcare segment. Like these global companies, SHEP is also looking to expand offerings from insulin pens to pens for GLP-1. Currently, we understand that competition in GLP-1 therapy remains limited due to: a) High switching costs for pharma companies, as filings for the drug also specify the pen vendor. Thus, switching vendors would require refiling with regulatory authorities, and b) Limited capacity, which is dominated by a few key companies. Among these, Ypsomed and Becton Dickinson are already working with innovators, leaving limited available capacity for generic manufacturers. Due to long gestation periods for regulatory approvals, even for pen manufacturers, and the capability required to manufacture without infringing on patents, we expect competition in this space to be limited.

Low risk of price erosion for devices: A large number of Indian drugmakers have launched a generic version of Novo Nordisk's blockbuster weight-loss drug Wegovy at a competitive price. While drugmakers anticipate a significant 50-60% price erosion in drug prices, pricing pressure on drug devices is expected to remain limited (10-15%) due to the current tight demand-supply scenario.

Threats from oral formulations: While oral formulations may capture ~20% of the market, over 75% of the 55-60 GLP-1 molecules under development remain injectable, according to industry reports. However, any rapid acceptance of oral drugs over injectables due to better efficacy and ease of use may dent the demand for pens for SHEP.

As therapies move off-patent and the global pipeline of biologics and injectables expands, SHEP is positioned to capture opportunities in GLP-1 therapies, insulin delivery systems, parathyroid hormone injectors, migraine medications, and next-generation biologics.

Device plays an important role in drug filing; SHEP is well-positioned: Healthcare device manufacturing is among the most demanding engagements in the engineering space. It requires precision at micron levels, regulatory compliance that spans multiple geographies, and validation cycles that can last several years. SHEP has emerged as a preferred partner of choice and sole supplier of medical devices for global pharmaceutical majors, including innovators, due to its precision-led approach and capability from concept design to regulatory certification. As therapies move off-patent and the global pipeline of biologics and injectables expands, SHEP is positioned to capture opportunities in GLP-1 therapies, insulin delivery systems, parathyroid hormone injectors, migraine medications, and next-generation biologics.

SHEP claims that 70% of the generic drug filings in the Canadian and Indian markets are using its pen. Looking at the vast opportunity, SHEP is planning to expand its pen manufacturing capacity five times to over 150m units by 4QFY28

SHEP is expanding capacity by 5x: Some of the large global companies manufacture pens and injectors in the range of 500-700m units, compared to ~55m for SHEP. Notably, in most GLP-1 engagements, SHEP has been selected as the sole device supplier, underscoring the confidence of global majors in its capabilities. SHEP claims that 70% of the generic drug filings in the Canadian and Indian markets are using its pen. Looking at the vast opportunity, SHEP is planning to expand its pen manufacturing capacity five times to over 150m units by 4QFY28.

SHEP has diversified platforms beyond GLP-1: SHEP has broadened the portfolio and de-risked growth beyond GLP-1 pens into adjacent medical devices, such as an eye applicator and teriparatide platforms. This strategy is rooted in IP-led development and high-precision engineering, making SHEP more than a contract manufacturer. The company's insulin business remains a stable revenue stream, and with large pharma players rationalizing insulin portfolios, it sees the potential to increase market share.

Building visibility through participation in global exhibitions and platforms: To strengthen its global presence, SHEP has been participating in premier exhibitions and innovation platforms. From Pharma Pack in Paris & CPHI Worldwide to conferences like PDA and PODD in the US, SHEP actively engages with innovators and enhances its visibility in highly regulated markets, reinforcing its reputation as a trusted partner in healthcare delivery devices.

Strengthening leadership with the appointment of COO (Healthcare): Considering the vast growth potential globally in the healthcare segment, the company has appointed Mr. Joe Kam as the COO (Healthcare), effective 1st Mar'26. He has over two decades of international experience in manufacturing and operations across highly regulated and process-driven industries. Before joining SHEP, he held senior leadership positions at SHL Medical, most recently as Senior Manufacturing Director, responsible for nine manufacturing sites in Taiwan and the US, and at Flextronics as Plant Manager and Senior Project Manager.

Pharma packaging business

SHEP is a leading supplier of primary pharmaceutical packaging products to global pharmaceutical brands, offering solutions that provide superior protection to APIs (active pharmaceutical ingredients). The company adds value to its clients through expertise in materials, manufacturing, quality, and regulatory compliance. Pre-fillable syringes and pre-fillable inhalers are key growth drivers for this segment. Plastic bottles, blister packs, ampoules, and vials are also some of the primary pharmaceutical packaging that are witnessing rapid growth. Advancements in biotechnology, leading to the introduction of new injectable parenteral therapies, and increased demand for high visibility unit dosage packaging for diseases such as diabetes could drive the primary packaging segment.

Exhibit 9: Key business development highlights

FY24	FY25	FY26
❖ Added four new customers to its portfolio ❖ Ranked third globally in its pen injectors and auto injection capabilities in terms of product portfolio and offerings ❖ Commenced a new applicator project; supplies were expected to start from 2QFY25 ❖ Signed four contracts and negotiated three more for the development and supply of pen and auto injectors	❖ Signed two new customers for IP-led pen platforms ❖ Secured eight contracts for pen injectors and auto-injectors, primarily supporting GLP-1 therapies along with select other treatments ❖ Participated in PharmaPack (Paris) to showcase medical device innovations ❖ Strengthened presence in regulated markets by exhibiting at leading international forums, including Partnership Opportunities in Drug Delivery (PODD), Convention on Pharmaceutical Ingredients (CPHI), and Parenteral Drug Association (PDA) events in the US and Europe	**4QFY26** ❖ Appointed a COO (Healthcare), an ex-SHL Medical and Flextronics professional, having vast experience in managing sites in Taiwan and the US. ❖ Successfully launched Shaily Harmony and Shaily Neo pens with multiple customers for Semaglutide in India, Canada, and other markets **3QFY26** ❖ Added two customers for the GLP-1 drug device ❖ Signed two new contracts with global companies for pen injectors **2QFY26** ❖ Exhibited at CPHI Worldwide Frankfurt, PDA Europe, PODD Boston; had 100 + meetings with multiple customers ❖ Launched Shaily Axiom Max – Fixed Dose Pen ❖ Signed four new projects across GLP1 and other therapies ❖ 19 new machines installed to meet customers' high demand **1QFY26** ❖ Installation of equipment supplied by a customer for the manufacture of eye applicators ❖ Contract signed for the supply of pens for GLP-1

Source: Company

Global medical device market: opportunity and outlook

The global medical devices market is projected to grow from USD572.31b in 2025 to USD886.68b by 2032, clocking a CAGR of 6.5% during the period

The global medical device market is projected to grow from USD572.31b in 2025 to USD886.68b by 2032, clocking a CAGR of 6.5% during the period. North America dominated the medical market with a market share of ~38%.

The Indian medical devices market is anticipated to grow from USD7.47b in 2025 to USD10.22b by 2029, clocking a CAGR of 8.16% over the period.

The Indian medical device market is anticipated to grow from USD7.47b in 2025 to USD10.22b by 2029, clocking a CAGR of 8.16% over the period. Several macroeconomic factors, such as the country's growing middle class, increasing disposable income, and improving healthcare infrastructure, have created a favorable environment for the adoption of medical devices. Additionally, the government's focus on promoting domestic manufacturing and reducing import dependency has further boosted the growth of the medical devices industry.

GLP-1 market is estimated to grow from USD49.3b in 2025 to USD157.5b by 2035, posting a CAGR of ~11% during the period

GLP-1 drug outlook: The GLP-1 market is estimated to grow from USD49.3b in 2025 to USD157.5b by 2035, posting a CAGR of ~11% during the period. According to the World Health Organization (WHO), more than one billion individuals are suffering from obesity worldwide; of these, 650m individuals are adults. It is estimated that 4m people die annually due to obesity. In addition, a recent study indicates that close to 530m adult population suffers from diabetes globally; of these, 98% of the population is expected to have type 2 diabetes. In the recent past, GLP-1 drugs have emerged as a promising option. It is worth highlighting that 15 GLP-1 drugs have been commercialized for targeting various indications. Additionally, more than 135 drug candidates are being evaluated across various phases of development. As awareness and understanding of the potential benefits of GLP-1 therapies continue to evolve, there is increasing openness to their use among younger populations.

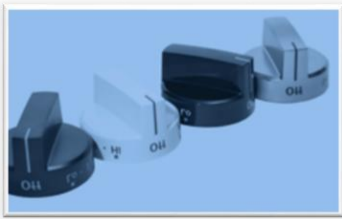
The global Semaglutide market size was ~USD28.4b in 2024 and is projected to reach ~USD93.6b by 2035, expanding at a CAGR of 10.5%. The market growth is driven by the increasing prevalence of type 2 diabetes and obesity, rising demand for GLP-1 receptor agonists, and growing adoption of weight management treatments.

Global *Semaglutide* market: The global *Semaglutide* market size was ~USD28.4b in 2024 and is projected to reach ~USD93.6b by 2035, expanding at a CAGR of 10.5%. The market growth is driven by the increasing prevalence of type 2 diabetes and obesity, rising demand for GLP-1 receptor agonists, and growing adoption of weight management treatments. North America was the largest revenue-generating market in 2024. Ozempic (semaglutide) accounted for a revenue of USD19.45b in 2024. With obesity's growing burden on healthcare systems and economies, the market is expanding, positioning Wegovy (Semaglutide) as a leading solution in medical weight management. The pipeline for semaglutide-based interventions highlights a broad spectrum of indications beyond diabetes and obesity, areas where approved drugs like Ozempic and Wegovy already dominate.

Global *Mounjaro* market: The global *Mounjaro* market was USD14.18b in 2024 and USD16.82b in 2025. It is expected to reach USD78.51b by 2034, expanding at a CAGR of 18.67%. North America dominated the Mounjaro market with the largest market share of 75% in 2024. The market is gaining traction due to rising obesity rates and the prevalence of type 2 diabetes. Mounjaro injections offer relief and are associated with a 20% reduction in obesity, along with the potential to prevent related side effects. The soaring global prevalence of metabolic disorders, such as type 2 diabetes and obesity, is the most compelling driver of the market. Mounjaro's superior efficacy in reducing both blood glucose and body weight makes it highly attractive to healthcare providers. Governments and private organizations are also increasingly investing in chronic disease management programs.

Industrial: Well poised to clock 25%+ revenue CAGR

- **SHEP's Industrial segment (FY26 revenue mix: ~9%) covers automotive components, appliances, and high-performance engineering products.**
- **The company is a trusted partner to leading global appliance manufacturers such as GE Appliances and Haier, delivering robust plastic solutions and precision components (knobs, etc.) for household electricals.**
- **In the automotive sector, it drives efficiency by replacing conventional metal parts with high-strength plastics, enhancing productivity while reducing costs.**
- **It is the only licensed processor of Torlon polymer in India and a supplier of ultra-high-performance thermoplastic for critical automotive components.**
- **After clocking ~12% YoY revenue growth in FY25 at INR614m, the industrial division has achieved a remarkable revenue growth of 41% YoY in FY26 at INR866m with superior profitability, aided by strong demand across product segments and successful project ramp-ups.**
- **With a diversified portfolio and strong business visibility, management expects this segment revenue to clock a CAGR of over 25% in the medium term.**



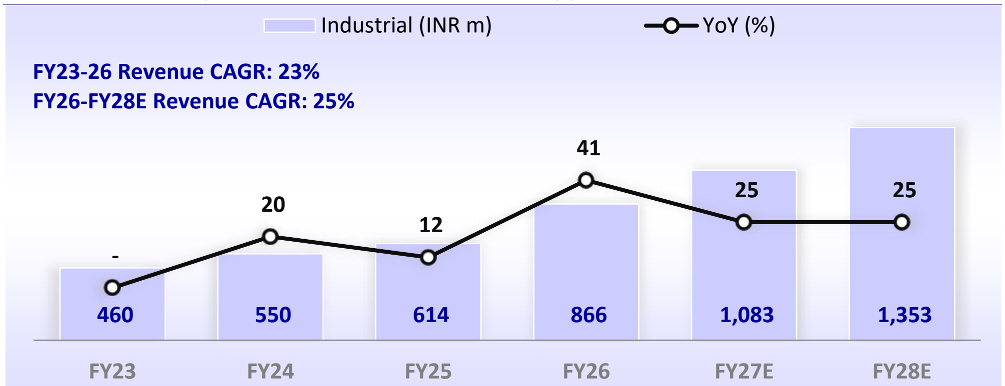
Industrial segment – Key growth drivers

- A shift toward lightweight, fuel-efficient vehicles is boosting demand for high-strength plastics over metal.
- Rising appliance penetration and the need for energy-efficient, precision parts are driving demand for robust plastic components.
- Growing use of advanced polymers in industrial applications is creating opportunities for durable, cost-effective metal substitutes.

Key clients: Amvian, ABB, GE, Haier, Electrolux, Emerson, Siemens, Corvi LED, FAG, Garrett, Schaeffler, Phoenix Mecano, et al.

With a diversified portfolio and strong business visibility, management expects Industrial segment revenue to clock a CAGR of over 25% in the medium term

Exhibit 10: Healthy revival in the order book to support Industrial's robust revenue CAGR



Source: Company, MOFSL

Consumer segment is on gradual demand revival journey

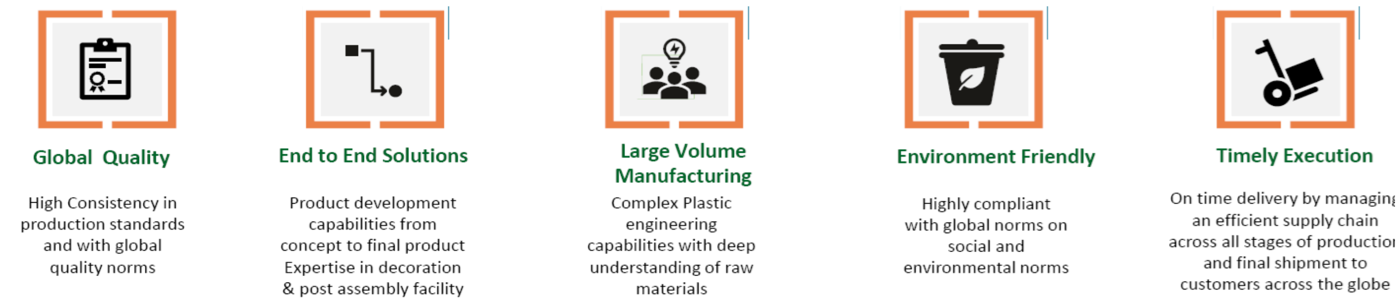
- **SHEP's Consumer segment (FY26 revenue mix: 52%) is a diversified business, comprising home furnishings, FMCG packaging, LED lighting, and carbon steel furniture.**
- **Each sub-segment leverages the company's manufacturing base, design expertise, and long-standing customer partnerships, resulting in quality and innovative solutions.**
- **It offers complete services from design to final delivery, catering to segments such as kitchenware, integrated cooking, dining solutions, organizational, and storage solutions.**
- **It has a decades-long association with customers, such as Gillette, P&G, Unilever, and IKEA.**
- **Apart from six plants for plastics, one more is dedicated to carbon steel furniture.**
- **While the company is bagging new orders from marquee FMCG customers, a slowdown in orders from its largest customer is expected to limit the segment's revenue growth at 10-15%. However, SHEP is hopeful of demand recovery in the medium term.**
- **Since SHEP is attempting to de-risk its business and drive faster growth in other segments, the revenue contribution of the Consumer segment is expected to decline to below 40% by FY28 from over 80% reported in FY23.**

SHEP has decades-long relationships with its key customers, such as Gillette, P&G, Unilever, and IKEA

SHEP's strength has been its strong technological know-how

SHEP has invested in world-class technologies and intellectual property (IP) to become a key player across domains, rendering it competitive with international peers. Moreover, end-to-end solutions for customers have strengthened its relationships with existing marquee brands and also enabled it to add new ones. Its dedicated paint lines are designed for a wide range of polymer applications.

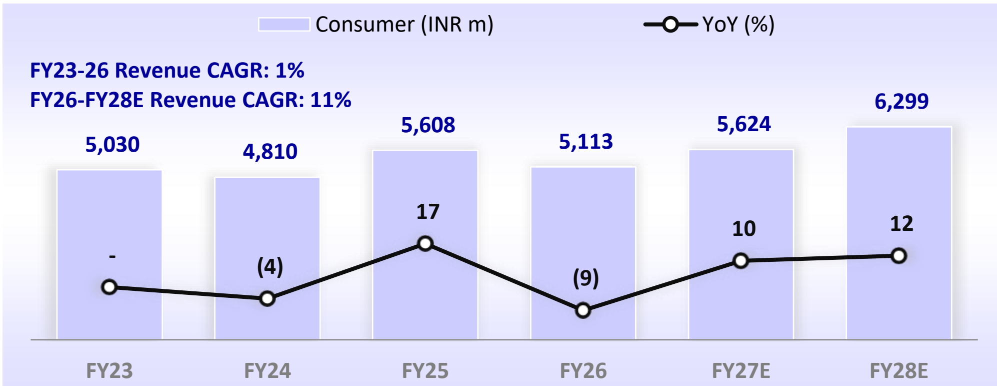
Exhibit 11: SHEP's forte in the Consumer segment



Source: Company

Key clientele: Hindustan Unilever, IKEA, P&G, Gillette, WestRock, Himalaya

Exhibit 12: Consumer segment to maintain soft growth



Source: Company, MOFSL

Since SHEP is attempting to de-risk its business and drive faster growth in other segments, the revenue contribution of the Consumer segment is expected to decline to below 40% by FY28 from over 80% reported in FY23

Consumer segment - Key growth drivers

- Rising demand for energy-efficient LED lighting
- Shift toward sustainable FMCG packaging
- Growth in home furnishings through global retail tie-ups
- Strong recurring business from marquee clients
- Advanced tech capabilities enabling value-added solutions

Exhibit 13: Key business development highlights

FY25	FY26
❖ Expanded portfolio with five new products for a key home furnishings customer two in plastics, three in carbon steel)	**4QFY26:** NA **3QFY26:** A new product mandate from an existing home furnishing customer
❖ Strengthened FMCG presence with new business from a marquee client for two products in 4QFY25, along with two more products awarded	**2QFY26:** New business awarded for five new projects with three home furnishing customers
❖ Broadened global retail partnerships, securing business from two leading international chains in FY25	**1QFY26:** Awarded business for male accessories from marquee FMCG customer

Source: Company

Exhibit 14: Home furnishing – product profile (key clientele – Unilever, IKEA, P&G)

Source: Company

Exhibit 15: Personal Care – product profile (key clientele: Gillette, Unilever, P&G, WestRock, Himalaya)

Source: Company

Carbon steel furniture – a new emerging business vertical

SHEP ventured into the manufacturing of carbon steel furniture in 1QFY19 by investing INR550m, which started commercial production in 3QFY21. Starting with order confirmation from its largest customer in the Consumer segment, SHEP also intends to add new customers to quickly ramp up its revenue.

Exhibit 16: Carbon steel furniture – product profile

Source: Company

Robust outlook, driven by Healthcare segment

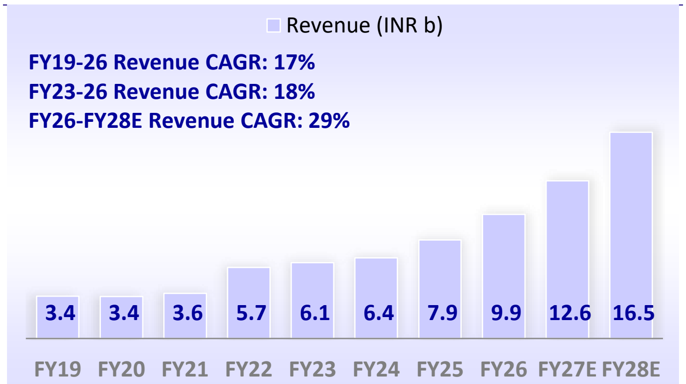
- **SHEP has always believed in building capacities ahead of demand across market cycles. This has helped the company gain customers' confidence in being an assured product supplier during a market upturn.**
- **The company has witnessed significant improvement in its financial performance in the last three years, led by a significant uptick in the Healthcare segment.**
- **In the last five years, SHEP has invested over INR5b in capacity expansion across product verticals, mainly Healthcare and steel furniture.**
- **Led by a significant uptick in the high-margin Healthcare segment, the company's financial performance improved in the last three years, with a CAGR of 18%/45%/69% in revenue/EBITDA/PAT over FY23-26 with 28.3% EBITDA margin.**
- **In FY26, they have surged 26%/59%/82% YoY with 28.3% EBITDA margin.**
- **Going forward, we expect the strong growth momentum to remain intact, based on its strong order book and volume guidance received from key healthcare customers. Thus, despite a high base, we expect SHEP to clock a CAGR of 29%/38%/43% in revenue/EBITDA/PAT over FY26-28E with its EBITDA margin sustaining above 32%.**
- **We also expect its RoE/RoCE to further expand to ~28%/36% in FY28E.**
- **Strong operating results and prudent working capital management (aims for 90-day net cycle) should drive OCF of ~INR8b over FY26-28E, which will be utilized to fund its planned capex of over INR6b, majorly in the Healthcare segment, over the period.**

Exhibit 17: Segment revenue trend – Healthcare segment to drive the overall performance

Revenue - Segment Mix	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY23-25 CAGR	FY25-28E CAGR
Consumer (INR m)	5,030	4,810	5,608	5,113	5,624	6,299	1	11
YoY (%)		(4)	17	(9)	10	12		
Healthcare (INR m)	**580**	**1,070**	**1,647**	**3,928**	**5,892**	**8,838**	**89**	**50**
YoY (%)		84	54	138	50	50		
Industrial (INR m)	460	550	614	866	1,083	1,353	23	25
YoY (%)		20	12	41	25	25		
Total	**6,070**	**6,430**	**7,869**	**9,907**	**12,599**	**16,490**	**18**	**29**
YoY (%)		6	22	26	27	31		

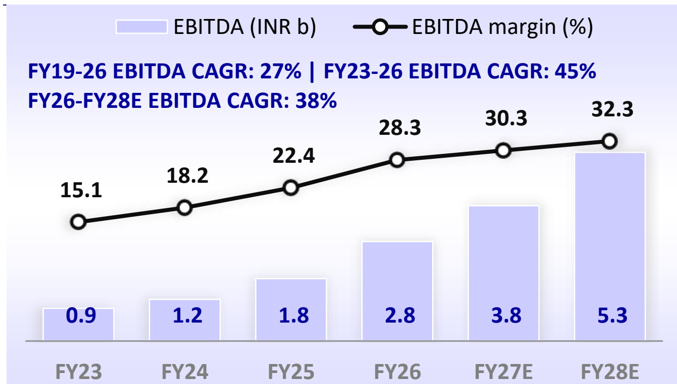
Source: Company, MOFSL

Exhibit 18: We expect a 29% revenue CAGR over FY26-28



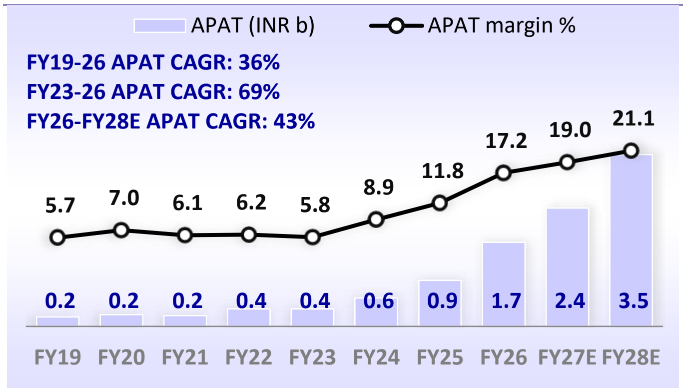
Source: Company, MOFSL

Exhibit 19: EBITDA margin to sustain at 32%+ level



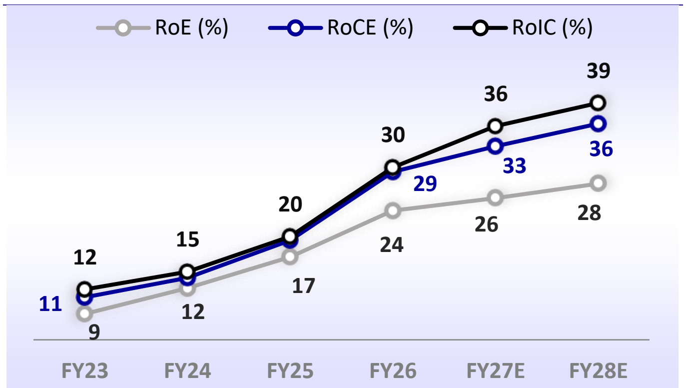
Source: Company, MOFSL

Exhibit 20: We expect a 43% CAGR in APAT over FY26-FY28 with APAT margin reaching ~21% in FY28



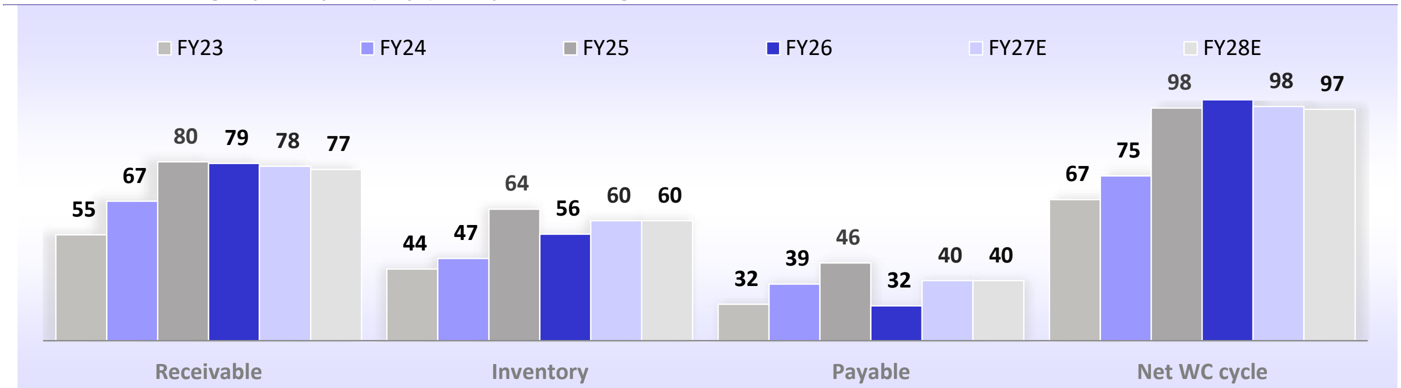
Source: Company, MOFSL

Exhibit 21: Return ratios to significantly expand



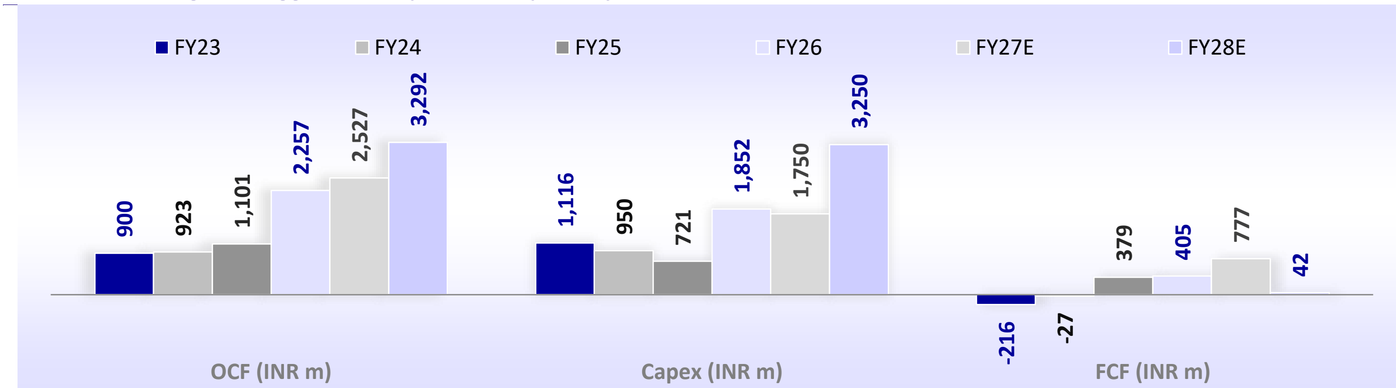
Source: Company, MOFSL

Exhibit 22: Working capital cycle (days) is expected to tighten



Source: Company, MOFSL

Exhibit 23: Strong OCF; aggressive capex to temporarily limit FCF



Source: Company, MOFSL

Exhibit 24: DuPont analysis

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
ROE (%)	**14.2**	**14.8**	**12.1**	**9.6**	**8.8**	**12.5**	**17.0**	**23.7**	**25.5**	**27.6**
APAT margin %	5.7	7.0	6.1	6.2	5.8	8.9	11.8	17.2	19.0	21.1
Total Asset Turnover (x)	1.4	1.2	0.9	1.0	1.0	0.9	1.0	1.1	1.1	1.1
Equity Multiplier (x)	1.8	1.8	2.2	1.5	1.5	1.5	1.4	1.3	1.2	1.2

Source: Company, MOFSL

Valuation and view – Initiate coverage with a BUY

- We initiate coverage on SHEP with a BUY rating and a target price of INR3,404 (22% upside potential), based on 45x FY28E P/E (~+1 SD of its 10-year mean).
- Strong earnings growth and cash flows, and expansion in return ratios will be the key drivers to support valuation re-rating, in our opinion.
- We expect strong growth momentum, led by the Healthcare segment, to be sustained based on its strong order book and guidance received from key customers.
- Thus, despite a high base, we expect SHEP to clock a 29%/38%/43% CAGR in revenue/EBITDA/PAT over FY26-28E. RoE/RoCE are expected to further expand to ~28%/36% in FY28E.
- Strong operating results and prudent working capital management (aims for a 90-day net cycle) are expected to drive an OCF of ~INR8b over FY26-28E, which will be utilized to fund a planned capex of over INR6b, majorly in the Healthcare segment, over the period.
- Key risk to our call: SHEP's stock price has risen over 50% in a year and 5x/10x in the last 2/3 years, aided by the strong earnings trajectory. While we project robust earnings growth to be sustained, a large miss in earnings can also result in a stock valuation de-rating, in our view.

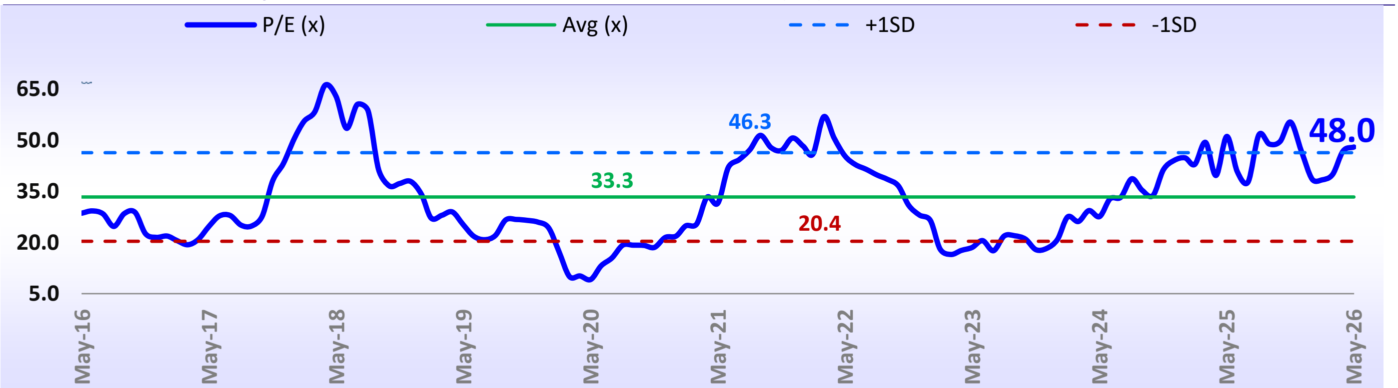
Exhibit 25: EPS sensitivity analysis

Revenue (FY27, INR b)	10.6	11.6	12.6	13.6	14.6
EBITDA margin (FY27)	EPS (INR)				
26.3%	35	39	44	48	52
28.3%	39	43	48	53	57
30.3%	42	47	52	57	62
32.3%	46	51	56	62	67
34.3%	49	55	61	66	72

Revenue (FY28, INR b)	12.5	14.5	16.5	18.5	20.5
EBITDA margin (FY28)	EPS (INR)				
28.3%	46	55	65	74	83
30.3%	50	60	70	80	90
32.3%	54	65	76	86	97
34.3%	58	70	81	93	104
36.3%	62	75	87	99	111

Source: MOFSL

Exhibit 26: SHEP – one-year forward P/E band and standard deviation (SD)



Source: Bloomberg, MOFSL

Key risks and concerns

- **High revenue concentration on a few large customers:** SHEP has high dependency on one large customer in the Consumer segment. While the company has diversified revenue streams to other segments in the last few years, any slowdown in business from this large customer can derail the overall growth trajectory.

- **High dependence on approvals for therapies filed by healthcare clients:** Any delay or failure by these clients in launching therapies or obtaining regulatory approvals, particularly for GLP-1-related products, could adversely impact order inflows and business performance.

- **Threats from oral formulations:** According to industry reports, oral formulations may capture ~20% of the weight-loss drug market while over 75% of the 55-60 GLP-1 molecules under development remain injectable. However, any rapid acceptance of oral drugs over injectables due to better efficacy and ease of use may dent the demand for pens for SHEP.

- **Raw material price volatility poses risk to margins:** SHEP uses PP and PVC (derivatives of crude oil) as key raw materials to manufacture its products. Any sharp volatility in crude oil prices could hamper the company's margins. While the company works on raw material cost pass-through arrangements with customers, the mechanism varies across customers and is usually passed on with a lag.

- **Exposure to forex fluctuations poses a risk to margins:** SHEP earns ~70% of its revenue from exports. While these provide a natural hedge to the extent of the raw materials it imports, the company's profitability is susceptible to fluctuations in foreign exchange rates to the extent of its net unhedged position.

Bull and bear case scenarios

Bull case scenario

Target Price: INR5,013
(86% upside)
(at 50x FY28E P/E)

- **We expect 43%/58%/65% CAGR in revenue/EBITDA/PAT over FY25-28E.**
- **The Healthcare segment, at 80% CAGR, is expected to drive revenues and cross 60% in mix by FY28.**
- **We estimate the FY25 EBITDA margin of 22.4% to expand to over 34% in FY28.**

	FY25	FY26	FY27E	FY28E	CAGR FY25-28E
Revenue (INR m)	7,868	9,907	13,777	20,379	43
EBITDA (INR m)	1,761	2,799	4,306	6,981	58
EBITDA margin %	*22.4*	*28.3*	*31.3*	*34.3*	
APAT (INR m)	931	1,699	2,725	4,608	65
EPS (INR)	20.3	37.0	59.3	100.3	65

Base case scenario

Target Price: INR3,404
(26% upside)
(at 45x FY28E P/E)

- **We expect 29%/38%/43% CAGR in revenue/EBITDA/PAT over FY26-28E.**
- **The Healthcare segment, at 50% CAGR, is expected to drive revenues and cross 50% in mix by FY28.**
- **We estimate the FY25 EBITDA margin of 22.4% to expand and reach 32.3% in FY28.**

	FY25	FY26	FY27E	FY28E	CAGR FY26-28E
Revenue (INR m)	7,868	9,907	12,599	16,490	29
EBITDA (INR m)	1,761	2,799	3,812	5,319	38
EBITDA margin %	*22.4*	*28.3*	*30.3*	*32.3*	
APAT (INR m)	931	1,699	2,396	3,476	43
EPS (INR)	20.3	37.0	52.1	75.6	43

Bear case scenario

Target Price: INR1,352
(50% downside)
(at 25x FY28E P/E)

- **We expect 18%/18%/21% CAGR in revenue/EBITDA/PAT over FY26-28E.**
- **The Healthcare segment, at 25% CAGR, is expected to drive revenue and reach ~45% in mix by FY28.**
- **We estimate the FY25 EBITDA margin of 22.4% to stabilize at 28.3% in FY28, at FY26 level.**

	FY25	FY26	FY27E	FY28E	CAGR FY25-28E
Revenue (INR m)	7,868	9,907	11,617	13,790	18
EBITDA (INR m)	1,761	2,799	3,282	3,896	18
EBITDA margin %	*22.4*	*28.3*	*28.3*	*28.3*	
APAT (INR m)	931	1,699	2,031	2,485	21
EPS (INR)	20.3	37.0	44.2	54.1	21

SWOT analysis

S

Strengths

- Nearly four decades of experience in high-precision injection molding, with proven capability to manufacture complex products.
- Deep, long-standing relationships with marquee global companies, many spanning 10-25 years.
- High regulatory credibility, supported by global certifications enabling faster product approvals.
- IP-led differentiation in healthcare, positioning SHEP among a handful of global players in self-use drug delivery systems.

W

Weaknesses

- High customer concentration, particularly in the consumer segment.
- Healthcare revenue dependence on a few global pharma clients, increasing sensitivity to client-specific delays in therapy launches or regulatory approvals.
- Export-heavy revenue mix (~70%), exposing profitability to foreign exchange volatility despite partial natural hedging.

O

Opportunities

- Structural growth in injectable drug delivery systems, driven by rising diabetes, obesity and chronic disease prevalence.
- GLP-1 therapies as a multi-year growth engine, with pen injectors and auto-injectors remaining dominant.
- Patent expiry of key GLP-1 molecules opening up large opportunities from generic drugmakers.
- China+1 and Make-in-India tailwinds, with global customers increasingly diversifying sourcing toward Indian manufacturers.

T

Threats

- Delays or failures in GLP-1 and other injectable therapy launches by key customers could materially impact order inflows and utilization.
- Raw material price volatility (PP, PVC and other crude-linked polymers), with pass-through mechanisms often operating with a lag.
- Technological disruption risk if alternative drug delivery formats gain faster-than-expected adoption over injectables.

Company overview

India's leading exporter of high-precision engineered plastic products & components.

- **SHEP is a nearly four-decade-old company and was founded by Mr. Mahendra (Mike) Sanghvi in 1987.**
- **The company has evolved from a two-machine start-up to become India's leading exporter of high-precision engineered plastic products and components.**
- **Its wide customer base is spread across the healthcare, consumer, personal care, appliances, automotive, and lighting industries.**
- **The company operates in the niche segment of precision molding and caters to demand from global industry leaders in their respective segments. Its marquee global companies are located in 35+ countries across America, Europe, Asia, and Australia.**
- **SHEP's strategic investment in technology and R&D has reinforced its ability to deliver complex, high-quality products at scale.**
- **Over the years, SHEP has been de-risking its business model by focusing on new business segments and customers.**
- **SHEP's entry into proprietary intellectual property (IP) for self-use drug delivery systems (setting up an innovation center in the UK) gives it a competitive advantage, as it is among the few global players to specialize in such products.**

Exhibit 27: Diversified business under three segments

Segment	Consumer	Healthcare	Industrial
Product profile	❖ Home Furnishing, Personal Care, Steel Furniture, Toys 	❖ Drug Delivery Devices, IP-led Platform, Pharma Packaging 	❖ Automotive, Lighting, Appliances, Engineering 
FY25 revenue, mix	~INR5.6b, ~71%	~INR1.6b, ~21%	~INR0.6b, ~8%
FY26 revenue, mix	~INR5.1b, ~52%	~INR3.9b, ~40%	~INR0.9b, ~9%

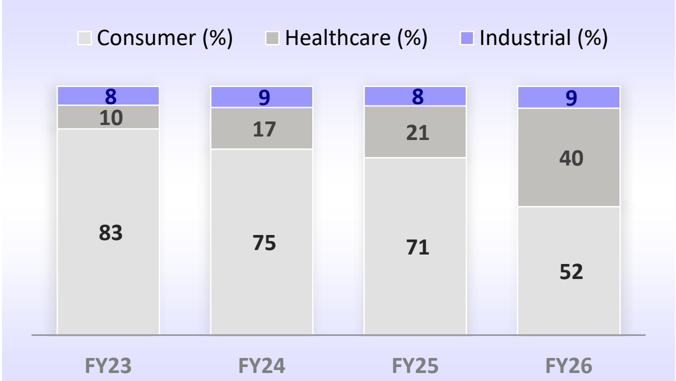
Source: Company

Exhibit 28: Key marquee global clientele

Consumer	Industrial	Healthcare
Gillette	GE Appliances	Dr. Reddy's
P&G	Garrett Advancing Motion	Sun Pharma
Hindustan Unilever	MABE	Aurobindo Pharma
IKEA	Phoenix Mechano	Sanofi
Corvi	Amvian	Alembic
Lidl	Schaeffler	Zydus
Lowes		Alvogen
		Cadila
		Aspen

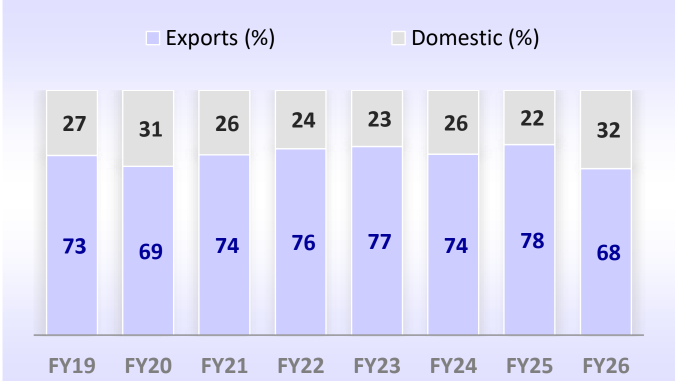
Source: Company

Exhibit 29: Segment-wise revenue mix trend



Source: Company

Exhibit 30: Geography-wise revenue mix trend

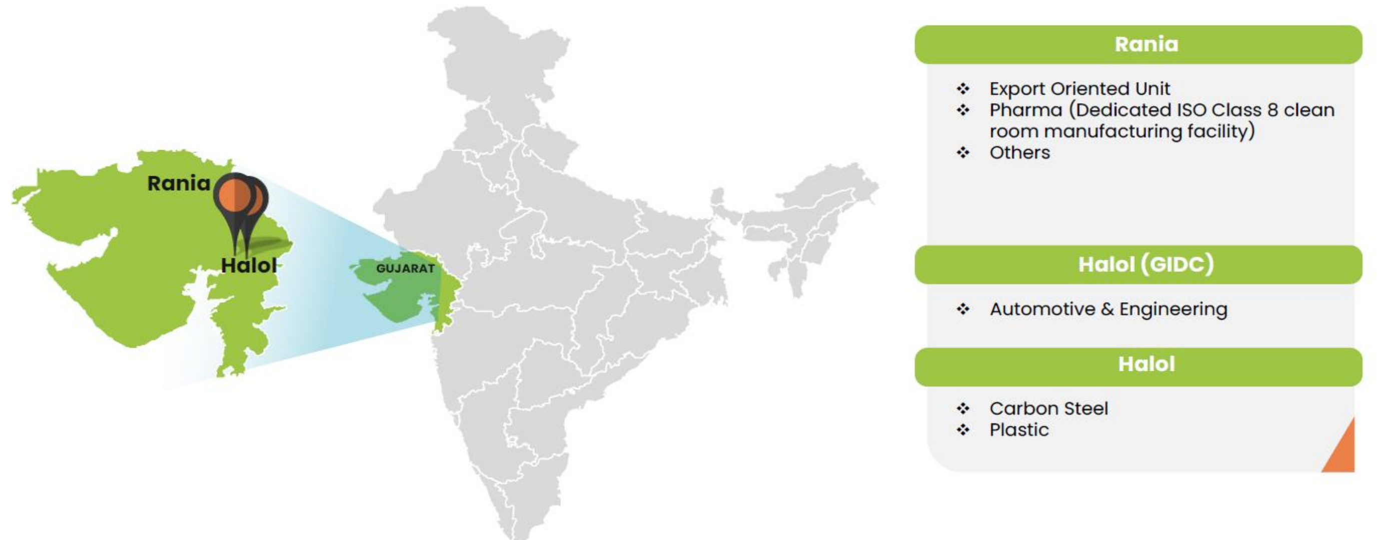


Source: Company

Vast manufacturing setup across seven facilities

- At the end of FY25, SHEP operated six world-class plants in Halol and Rania, Gujarat, equipped with over 200+ injection molding machines **ranging from 35 tons to 1,000 tons** and advanced robotic systems. The company also runs a dedicated metal facility in Halol, expanding its integrated solutions capability. The company has unique capabilities in terms of manufacturing & supplying mixed material products to its customers within one location.
- SHEP manufactures value-added products using advanced engineering polymers such as PA6/66/12, PES, PPS, PBT, LCP, POM, PC, Torlon, and PEEK. Its services include precision molding, assembly, and secondary operations such as pad printing, hot stamping, painting, screen printing, ultrasonic welding, laser marking, PVD coating, and vacuum metallizing. The company regularly expands its tool room with advanced CNC machines and enhances its metrology lab by adding advanced metrology machines, such as a CT scanner, and reinforcing its design-to-delivery capabilities.

Exhibit 31: Seven facilities with over 200 molding machines ranging from 35 tons to 1,000 tons

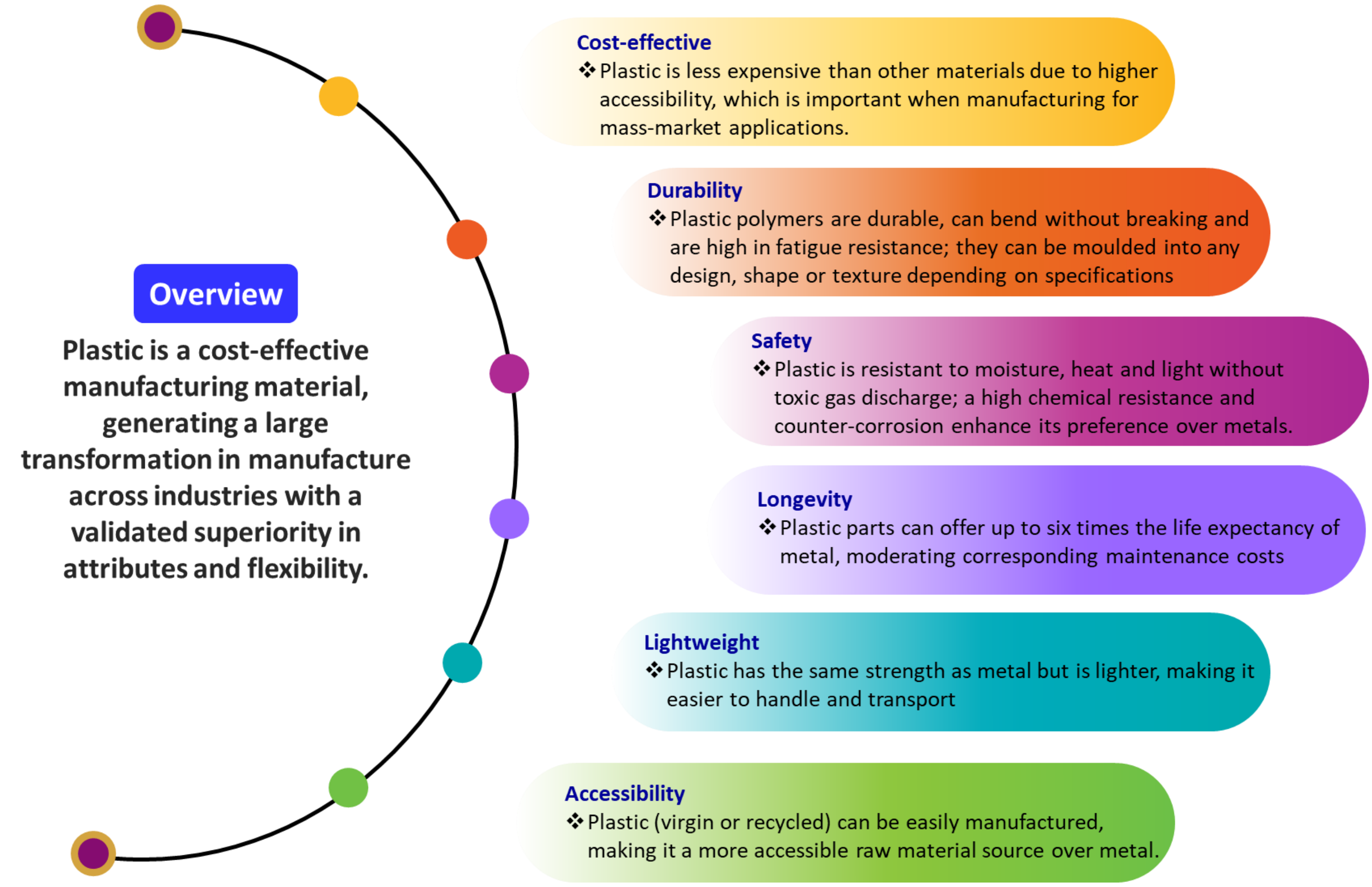


Source: Company

Holds certifications for some of the highest global quality standards

SHEP's operations adhere to globally recognized quality standards, as well as environmental and compliance certifications, reflecting its commitment to reliability and sustainability. The company holds certifications for some of the highest global quality standards, including ISO 9001: 2015, IATF 16949: 2016, ISO 13485: 2016, ISO 15378: 2015, MDSAP, SA 8000, ISO 14001:2015, ISO 50001: 2018, RBA (Responsible Business Alliance), SCAN, AEO, and ISCC Plus.

Exhibit 32: Sophisticated engineering applications prefer molded plastics



Source: Company

Exhibit 33: Shareholding pattern and key shareholders

Shareholding pattern (%)	Mar'26	Dec'25	Sep'25		Key shareholders	% Equity Mar'26
Promoter	43.4	43.4	43.7	❖	Smallcap World Fund	7.4
Free Float				❖	Motilal Oswal Special Opportunities Fund	4.6
Foreign Institutions	16.7	12.0	11.3	❖	Ashish Kacholia	3.2
Domestic Institutions	10.6	13.6	13.7	❖	Suryavansh Commotrade	2.0
Public & Others	29.3	31.0	31.3	❖	Bandhan Small Cap Fund	2.0

Source: BSE

Management Team

Mr. Mahendra (Mike) Sanghvi, Executive Chairman (Founder), is a chemical engineer from Wayne State University, USA, and a Plastics Technologist. He holds a Diploma in MBA from the University of Toronto, Canada. He has been actively involved in SHEP's operations since its inception. Under his leadership, the company has earned accolades, including several top exporter awards. He also serves on the Board of the Organization of Plastic Processors of India.

Mr. Amit Sanghvi, Managing Director (son of Mr. Mahendra), holds a degree in Electrical Engineering from the University of Ottawa and an M.Sc. in Supply Chain and Manufacturing from Penn State University, USA. At SHEP, he started as General Manager – Projects, and was later elevated to Whole Time Director, and has served as Managing Director since 16th May, 2015.

Laxman Bhogilal Sanghvi, Executive Director (brother of Mr. Mahendra Sanghvi), is a qualified Chartered Accountant and Law graduate. At SHEP, he has overseen critical functions such as projects, procurement, stores, budget control, and administration. He played an instrumental role in establishing the Carbon Steel facility and is closely involved in the development of the plastics plant at Halol, Gujarat.

Tilottama Mahendra Sanghvi, Whole-Time Director (wife of Mr. Mahendra Sanghvi), is a science graduate with deep involvement in the SHEP's operations since its inception. She has played a pivotal role in managing the Company's Export Oriented Unit (EOU) plants and overseeing administration and stores operations across facilities.

Sanjay Shah, Chief Strategy Officer, joined SHEP in 1991. He has been with the company, handling various portfolios such as CFO, CSO, and Vice President - Finance during his tenure. He is a commerce graduate from Mumbai University. He helped in securing home furnishing business from a Swedish Home Furnishing major and managing that relationship. He was also instrumental in exploring the Toys segment for the company.

Mr. Paresh Jain, CFO, is a qualified Chartered Accountant from ICAI and has 19 years of overall experience. Before joining SHEP, he had worked with organizations such as Banco Aluminium Ltd, Safari Industries (India) Ltd, Indian Oil Tanking Group, Atul Ltd, and GTPL Group.

Mr. Joe Kam, Chief Operating Officer (Healthcare): Joe has over two decades of international experience in manufacturing and operations across highly regulated and process-driven industries. Prior to joining SHEP, he held senior leadership positions at SHL Medical, most recently as Senior Manufacturing Director, responsible for nine manufacturing sites in Taiwan and the US, and at Flextronics as Plant Manager and Senior Project Manager.

ESG initiatives

Environmental initiatives

- SHEP has entered into contracts with various environmental agencies to pick up the plant-generated plastic waste and dispose of it, ensuring proper disposal methods and end-use mapping. These agencies are certified by the Gujarat Pollution Control Board (GPCB).
- In addition to plastic waste, SHEP prioritizes the proper disposal of other types of waste, such as e-waste, battery waste, spent oil, and scraps.
- The water discharged from production is recycled through the Effluent Treatment Plant, and thereafter, ETP sludge is sent to the GPCB-authorized agency through a manifest. Sewage water is treated by the available sewage treatment plant, and after the treatment, the same water is used for gardening. The RO-rejected water is used for flushing purposes. The company has implemented a mechanism for Zero Liquid Discharge through the setting up of the sewage treatment plant/soak pit in all its plants, except for one plant located in Halol, Gujarat. Also, SHEP is planning to enhance its rainwater harvesting capacity for the positive charge of groundwater.

CSR initiatives

- SHEP spent INR16.9m on CSR activities in FY25, which is over 2% of the PAT.
- The company has multiple partnerships with various trusts to support children through education, nutrition, and rehabilitation initiatives, and women through skill development and livelihood programs.

Governance initiatives

- The Board of Directors consists of four Executive Directors (from the Promoter Group) and four Independent Directors. There are two women Directors. The Chairman of the Board is an Executive Director.
- None of the Directors serves as a Director/Independent Director in more than seven listed companies.
- None of the Directors who serve as a Whole Time Director/Managing Director in any listed entity serves as an Independent Director in more than three listed companies.

Financials and valuations

Consolidated - Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**3,606**	**5,677**	**6,071**	**6,439**	**7,868**	**9,907**	**12,599**	**16,490**
Change (%)	7.3	57.4	6.9	6.1	22.2	25.9	27.2	30.9
RM Cost	2,153	3,575	3,865	3,701	4,158	4,262	5,294	6,764
Gross Profit	**1,453**	**2,102**	**2,206**	**2,738**	**3,710**	**5,645**	**7,305**	**9,726**
Employees Cost	342	433	479	573	804	1,097	1,332	1,660
Other Expenses	516	857	808	995	1,145	1,749	2,161	2,747
Total Expenditure	**3,010**	**4,865**	**5,152**	**5,269**	**6,107**	**7,107**	**8,787**	**11,171**
% of Net Sales	83.5	85.7	84.9	81.8	77.6	71.7	69.7	67.7
EBITDA	**596**	**812**	**919**	**1,169**	**1,761**	**2,799**	**3,812**	**5,319**
Margin (%)	16.5	14.3	15.1	18.2	22.4	28.3	30.3	32.3
Depreciation	195	265	333	357	422	492	554	676
EBIT	**400**	**547**	**586**	**813**	**1,339**	**2,307**	**3,258**	**4,643**
Int. and Finance Charges	127	169	179	179	169	159	151	132
Other Income	26	88	45	65	23	78	25	33
PBT bef. EO Exp.	**299**	**465**	**452**	**698**	**1,193**	**2,226**	**3,132**	**4,544**
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	**299**	**465**	**452**	**698**	**1,193**	**2,226**	**3,132**	**4,544**
Total Tax	79	113	101	126	262	527	736	1,068
Tax Rate (%)	26.3	24.2	22.2	18.0	21.9	23.7	23.5	23.5
Share of Profit/Loss of JV	0	0	0	0	0	0	0	0
Share of Minority Interests	0	0	0	0	0	0	0	0
Reported PAT	**220**	**353**	**351**	**573**	**931**	**1,699**	**2,396**	**3,476**
Adjusted PAT	**220**	**353**	**351**	**573**	**931**	**1,699**	**2,396**	**3,476**
Change (%)	-6.7	60.1	-0.3	63.0	62.5	82.5	41.0	45.1
Margin (%)	6.1	6.2	5.8	8.9	11.8	17.2	19.0	21.1

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	83	92	92	92	92	92	92	92
Total Reserves	1,735	3,578	3,922	4,500	5,385	7,075	9,287	12,487
Net Worth	**1,819**	**3,670**	**4,014**	**4,592**	**5,477**	**7,167**	**9,379**	**12,579**
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	2,017	1,749	1,872	2,084	1,877	1,740	1,590	2,190
Deferred Tax Liabilities	103	132	170	208	236	340	0	0
Capital Employed	**3,938**	**5,550**	**6,056**	**6,884**	**7,590**	**9,247**	**10,969**	**14,769**
Gross Block	3,426	4,788	5,534	6,818	7,471	9,121	9,871	14,121
Less: Accum. Deprn.	1,084	1,350	1,683	2,040	2,461	2,953	3,508	4,184
Net Fixed Assets	**2,342**	**3,438**	**3,851**	**4,778**	**5,010**	**6,167**	**6,363**	**9,937**
Goodwill on Consolidation	0	0	0	0	0	0	0	0
Capital WIP	231	161	490	153	174	288	1,288	288
Total Investments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Curr. Assets, Loans&Adv.	**2,098**	**3,156**	**2,575**	**2,887**	**4,069**	**4,953**	**5,986**	**7,625**
Inventory	669	1,114	730	836	1,378	1,508	2,071	2,711
Account Receivables	695	1,017	919	1,174	1,717	2,148	2,697	3,485
Cash and Bank Balance	29	471	230	264	231	252	138	314
Loans and Advances	705	555	695	613	742	1,045	1,080	1,115
Curr. Liability & Prov.	**732**	**1,205**	**859**	**934**	**1,662**	**2,160**	**2,668**	**3,081**
Account Payables	466	856	534	687	990	859	1,381	1,807
Other Current Liabilities	242	322	290	213	562	1,163	1,145	1,127
Provisions	24	27	35	35	110	139	143	147
Net Current Assets	**1,366**	**1,951**	**1,715**	**1,953**	**2,406**	**2,792**	**3,318**	**4,544**
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	**3,938**	**5,550**	**6,056**	**6,884**	**7,590**	**9,247**	**10,969**	**14,769**

Financials and valuations

Ratios

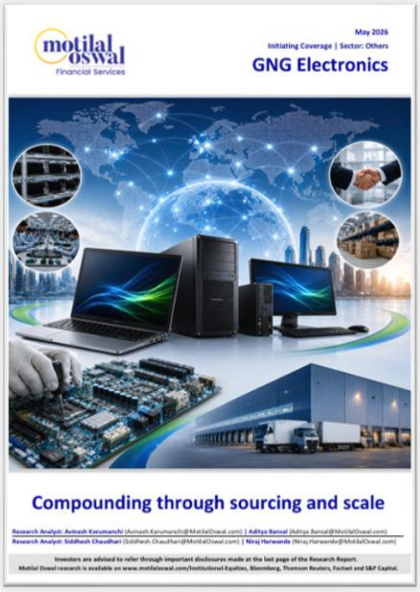
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adj EPS	**4.8**	**7.7**	**7.6**	**12.5**	**20.3**	**37.0**	**52.1**	**75.6**
Cash EPS	9.0	13.4	14.9	20.2	29.4	47.7	64.2	90.4
BV/Share	40	80	87	100	119	156	204	274
DPS	0.0	0.0	0.0	1.0	2.0	3.0	4.0	6.0
Payout (%)	0.0	0.0	0.0	8.0	9.9	8.1	7.7	7.9
Valuation (x)								
P/E	562.4	351.2	352.3	216.2	133.0	72.9	51.7	35.6
Cash P/E	298.1	200.4	180.9	133.2	91.6	56.5	42.0	29.8
P/BV	68.1	33.7	30.9	27.0	22.6	17.3	13.2	9.8
EV/Sales	34.9	22.0	20.7	19.5	15.9	12.7	9.9	7.6
EV/EBITDA	211.3	154.1	136.6	107.5	71.3	44.8	32.9	23.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
FCF per share	-13.2	-14.3	-4.7	-0.6	8.3	8.8	16.9	0.9
Return Ratios (%)								
RoE	12.1	9.6	8.8	12.5	17.0	23.7	25.5	27.6
RoCE (pre-tax)	12.8	13.7	11.2	14.0	19.4	29.3	33.0	36.3
RoIC (pre-tax)	13.9	14.8	12.3	14.9	20.0	30.0	36.0	39.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.2	1.1	0.9	1.1	1.1	1.3	1.2
Net Working Capital Cycle (Days)	91	82	67	75	98	103	98	97
Debtor (Days)	70	65	55	67	80	79	78	77
Inventory (Days)	68	72	44	47	64	56	60	60
Creditor (Days)	47	55	32	39	46	32	40	40
Leverage Ratio (x)								
Current Ratio	2.9	2.6	3.0	3.1	2.4	2.3	2.2	2.5
Interest Cover Ratio	3.3	3.7	3.5	4.9	8.0	15.0	21.7	35.4
Net Debt/Equity	1.1	0.3	0.4	0.4	0.3	0.2	0.2	0.1

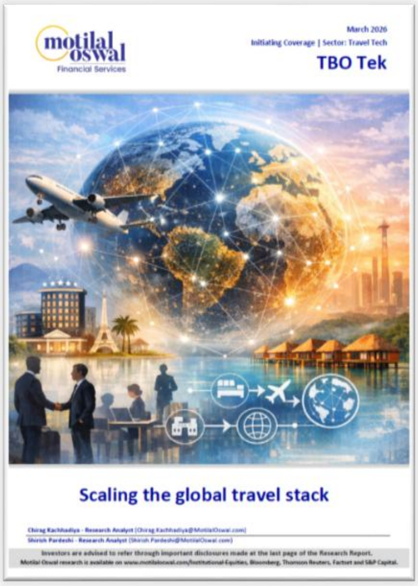
Consolidated - Cash Flow Statement

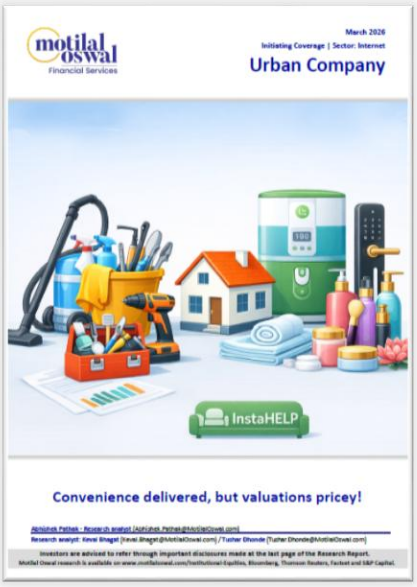
(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	299	465	452	698	1,193	2,226	3,132	4,544
Depreciation	195	265	333	357	422	492	554	676
Interest & Finance Charges	127	169	179	179	169	159	151	132
Direct Taxes Paid	-60	-64	-60	-88	-175	-494	-645	-977
(Inc)/Dec in WC	-326	-266	-6	-270	-483	-169	-639	-1,050
CF from Operations	**235**	**570**	**898**	**877**	**1,126**	**2,215**	**2,553**	**3,325**
Others	-11	-20	2	46	-25	43	-26	-33
CF from Operating incl EO	**225**	**550**	**900**	**923**	**1,101**	**2,257**	**2,527**	**3,292**
(Inc)/Dec in FA	-830	-1,207	-1,116	-950	-721	-1,852	-1,750	-3,250
Free Cash Flow	**-605**	**-657**	**-216**	**-27**	**379**	**405**	**777**	**42**
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	11	-84	107	12	8	5	25	33
CF from Investments	**-819**	**-1,291**	**-1,009**	**-938**	**-713**	**-1,847**	**-1,725**	**-3,217**
Issue of Shares	0	1,497	0	0	0	0	0	0
Inc/(Dec) in Debt	659	-256	112	205	-205	-145	-150	600
Interest Paid	-125	-158	-163	-159	-168	-158	-151	-132
Dividend Paid	0	0	0	0	-46	-90	-184	-276
Others	0	0	0	0	0	0	-432	-91
CF from Fin. Activity	**534**	**1,083**	**-51**	**46**	**-419**	**-393**	**-917**	**101**
Inc/Dec of Cash	**-61**	**341**	**-160**	**31**	**-31**	**17**	**-114**	**176**
Opening Balance	70	10	351	191	222	191	208	94
Other cash & cash equivalent	0	0	0	0	0	0	0	0
Closing Balance	**10**	**351**	**191**	**222**	**191**	**208**	**94**	**270**

RECENT INITIATING COVERAGE REPORTS







Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

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