Shaily Engineering

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	SHEP IN
Equity Shares (m)	46
M.Cap.(INRb)/(USDb)	154.9 / 1.6
52-Week Range (INR)	3434 / 1604
1, 6, 12 Rel. Per (%)	20/57/110
12M Avg Val (INR M)	851
Free float (%)	58.9

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	9.9	12.6	17.6
EBITDA	2.8	3.8	5.8
Adj. PAT	1.7	2.3	3.7
Adj. EPS (INR)	37.0	50.5	81.5
EPS Gr. (%)	82.5	36.7	61.2
BV/Sh. (INR)	156	202	278
Ratios			
RoE (%)	23.7	25.0	29.3
RoCE (%)	29.3	32.7	39.4
Payout (%)	8.1	7.9	7.4
Valuations			
P/E (x)	91.0	66.6	41.3
P/BV (x)	21.6	16.6	12.1
EV/EBITDA (x)	55.8	41.1	27.1
Div. Yield (%)	0.1	0.1	0.2

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	41.1	43.4	43.7
DII	14.8	10.6	14.1
FII	18.2	16.7	9.7
Others	25.9	29.3	32.4

CMP: INR3,367 TP: INR4,074 (+21%) Buy

Robust outlook intact, led by healthcare segment

Revenue/EBIDTA/PAT grew 14%/22%/17% YoY in 1QFY27

- Shaily Engineering's (SHEP) 1QFY27 result was driven by its healthcare segment, while weakness persisted in the consumer segment.
- Healthcare revenue surged 84% YoY (in line), driven by increasing traction in GLP-1 pen volume following patent expiry in India and Canada.
- Consumer revenue slid 24% YoY (miss) due to continued weak consumer sentiment in the US and Europe. Industrial revenue grew 25% YoY.
- EBITDA margin expanded 190bp YoY to 29.6%, driven by greater revenue mix of higher-margin healthcare segment, despite losses in UK subsidiary.
- Domestic revenue surged 114% YoY with its mix rising to 58%. This was driven by expanding GLP-1 pen volume supply to domestic pharma customers after opening of generic drug market.
- Export revenue fell 7% YoY due to weakness in consumer segment and low revenue booking in the UK subsidiary (down 73% YoY).

Key highlights from the management commentary

- **Healthcare:** FY27 guidance of 36m pen has upside risk; Dr. Reddy's volume intact; sold 9m pen devices in 1Q (50-60% GLP-1); appointed dedicated sales heads for the US and Europe to expand business; additional 25m pen capacity is expected by Sep'25 to take total to 75m+ pens; received approvals to supply Semaglutide pens in Canada and Brazil; two new projects signed for IP-led platforms.
- **Consumer:** Revenue slid due to continued weak consumer sentiment in the US and Europe; revenue is likely to be flat in FY27E.
- **Consumer electronics:** To manufacture critical products; started suppling in small batches; business confirmation from a new customer to supply five new products likely from 4Q; acquired land for a new plant in South India for ~INR1b capex; to disclose further update in 2Q.
- **Semiconductor:** Revenue is likely to accrue from 4Q; manufacturing specialized trays having volume requirement in millions.
- Consumer electronics and Semicon will be domestic-focused businesses.
- UK subsidiary is expected to come back strongly in next few quarters.

Valuation and view: Reiterate BUY

We cut FY27E earnings by 3% after a miss in 1Q earnings. However, we raise FY28E earnings by 8% owing to higher-than-earlier-expected growth and margins in healthcare. We now expect a CAGR of 33%/44%/48% in revenue/ EBITDA/PAT over FY26-28, with a 32%+ EBITDA margin in FY28, driven by volume commitments from key healthcare customers. Robust RoE/RoCE (~29%/39% in FY28E) and OCF (~INR8b over FY26-28) will support the expansion of GLP-1 pen capacity by ~5x. Thus, **we are constructive on SHEP and reiterate our BUY rating with a revised TP of INR4,074, based on 50x FY28E EPS. Slower-than-expected growth and earnings could lead to a de-rating in the scrip's valuation and pose a risk to our positive view.**

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Consolidated quarterly performance **(INR m)**

	FY26				FY27				FY26	FY27E	FY27E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
Net Sales	**2,467**	**2,567**	**2,505**	**2,368**	**2,807**	**3,070**	**3,239**	**3,446**	**9,907**	**12,561**	**2,988**	**-6**
YoY Change (%)	37.5	33.7	26.8	8.7	13.8	19.6	29.3	45.5	25.9	26.8	21.1	
Total Expenditure	1,784	1,773	1,842	1,712	1,976	2,148	2,257	2,383	7,107	8,765	2,089	
EBITDA	**683**	**793**	**663**	**656**	**831**	**922**	**982**	**1,062**	**2,799**	**3,796**	**898**	**-8**
Margins (%)	27.7	30.9	26.5	27.7	29.6	30.0	30.3	30.8	28.3	30.2	30.1	
Depreciation	114	120	125	133	140	145	150	155	492	592	138	
Interest	39	39	44	37	33	40	40	40	159	153	40	
Other Income	21	23	1	37	3	10	10	10	78	33	20	
PBT before EO expense	**551**	**657**	**495**	**523**	**659**	**746**	**802**	**877**	**2,226**	**3,084**	**741**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**551**	**657**	**495**	**523**	**659**	**746**	**802**	**877**	**2,226**	**3,084**	**741**	**-11**
Tax	140	144	121	122	179	179	192	210	527	761	174	
Rate (%)	25.3	22.0	24.5	23.3	27.2	24.0	24.0	24.0	23.7	24.7	23.5	
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	
Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**411**	**513**	**374**	**402**	**480**	**567**	**610**	**667**	**1,699**	**2,323**	**566**	**-15**
Adj PAT	**411**	**513**	**374**	**402**	**480**	**567**	**610**	**667**	**1,699**	**2,323**	**566**	**-15**
YoY Change (%)	136.2	133.8	48.4	40.5	16.7	10.7	63.1	66.0	82.5	36.7	37.8	
Margins (%)	16.7	20.0	14.9	17.0	17.1	18.5	18.8	19.3	17.2	18.5	19.0	

E: MOFSL Estimates

Quarterly Performance

	4QFY25	1QFY26	2QFY25	3QFY26	4QFY26	1QFY27	% YoY	% QoQ
Segment Revenues (INR m)								
Consumer	1,481	1,514	1,349	1,228	1,021	1,155	(24)	13
Healthcare	560	772	986	1,043	1,128	1,424	84	26
Industrial	137	181	232	234	219	227	25	4
Total revenue	**2,178**	**2,467**	**2,567**	**2,505**	**2,368**	**2,806**	**14**	**18**
Segment Revenues - Mix (%)								
Consumer	68	61	53	49	43	41		
Healthcare	26	31	38	42	48	51		
Industrial	6	7	9	9	9	8		
Geographical Revenue (INR m)								
Exports	1,624	1,713	1,590	1,686	1,279	1,596	(7)	25
Domestic	409	538	766	679	961	1,151	114	20
UK, UAE Subs. (Platform Fees)	145	216	210	141	128	59	(73)	(54)
Total revenue	**2,178**	**2,467**	**2,567**	**2,505**	**2,368**	**2,807**	**14**	**19**
Geographical Revenue - Mix (%)								
Exports	75	69	62	67	54	57		
Domestic	19	22	30	27	41	41		
UK, UAE Subs. (Platform Fees)	7	9	8	6	5	2		

CONFERENCE CALL

Key highlights from the management commentary

Business development

- Shaily was able to mitigate challenges with calibrated price hikes and operational efficiency. Gross margin was impacted by a steep rise on RM prices, which will be fully passed on gradually.
- Domestic revenue surged 114% YoY, led by expanding GLP-1 pen volume supply to domestic pharma customers, which, in turn, are selling in global markets.
- Export revenue fell 7% YoY due to weakness in consumer segment and low revenue booking in the UK subsidiary (down 73% YoY).
- **UK subsidiary business is expected to come back strongly in next few quarters.**

Healthcare (revenue up 84% YoY, 51% mix)

- Sold 9m pen devices in 1Q (50-60% GLP-1, rest insulin and other therapies).
- 6 of 8 pens platforms are commercial now.
- Working to expand capacity by 30% by 2Q end via some line changing etc.
- Appointed dedicated sales heads for US and Europe to expand businesses
- Additional 25m pen capacity is expected by Sep'25 to take total to 75m+
- **FY27 guidance of 36m pens has upside risk; Dr. Reddy's volume is intact**
- Received customer approvals to supply Semaglutide pens in Canada and Brazil
- Two new projects signed for IP-led platforms
- Reusable auto injectors are expected to be launched by FY27-end
- In advance discussion with a pharma innovator; expect to onboard this customer in next six quarters
- Pen business is not a cost-plus-contract but a market-driven price business.
- No.2 supplier in Canada; expect a similar status in Brazil.
- Abu Dhabi plant is planned to start production in FY28.

Consumer (revenue down 24% YoY, 41% mix)

- Revenue slid due to continued weak consumer sentiment in US and Europe.
- **Revenue is likely to be flat in FY27.**
- Business confirmation received for global project from FMCG customer.
- Engaged for a new projects from customer in LED lights.

Industrial (revenue up 25% YoY, 8% mix)

- Business confirmation received for new projects from customers in Consumer Appliance, Consumer Electronics and Auto sectors.
- Consumer electronics and Semicon business will be more domestic focused.

Consumer Electronics

- Manufacturing high critical products; started commercial supply in small batches
- Confirmation from a new logo for five new products; supply likely from 4Q.
- Acquired land for a new plant in South India for ~INR1b capex; to disclose further update by next quarter.

Semiconductor

- Revenue is likely to accrue from 4Q.
- Manufacturing specialized trays having volume requirement in millions.

Story in charts

Exhibit 1: Geography revenue mix (%,1QFY27)

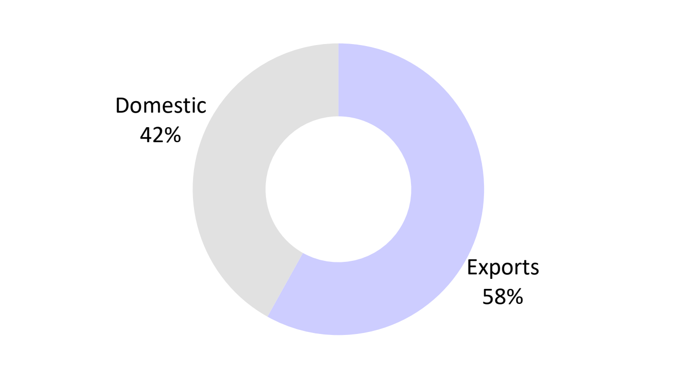


Exhibit 2: Segment revenue mix (%,1QFY27)

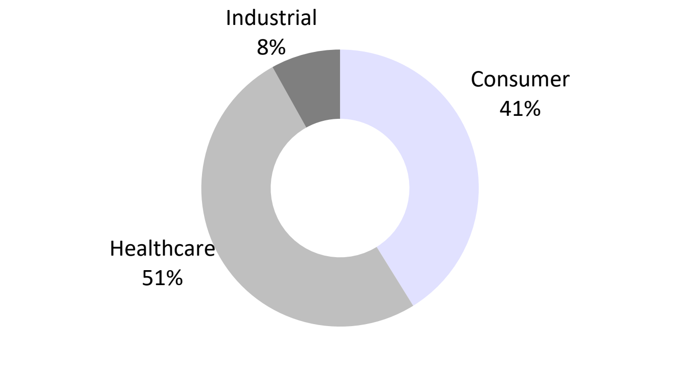


Exhibit 3: Quarterly revenue and growth trends

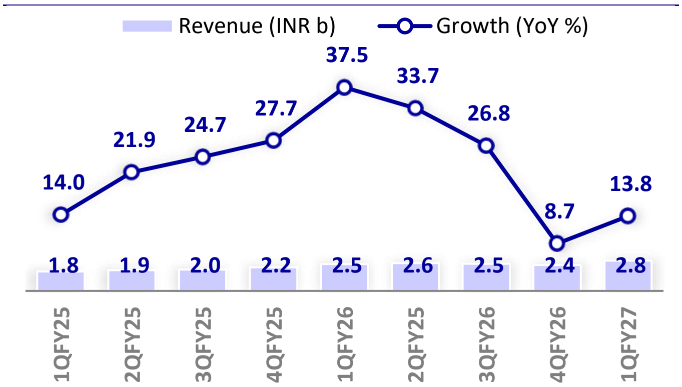


Exhibit 4: Expenses as % of quarterly revenue

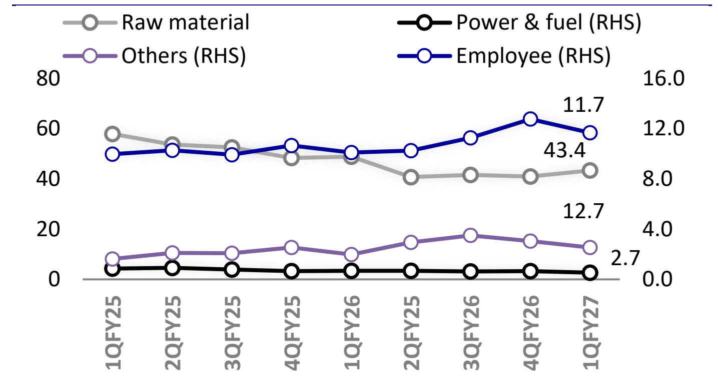


Exhibit 5: Quarterly EBITDA and Adj. PAT trends (%)

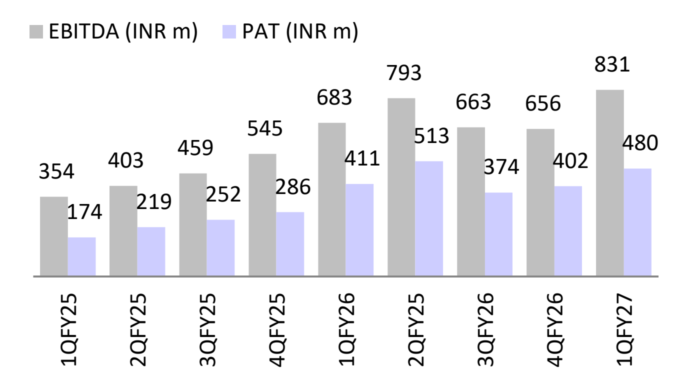


Exhibit 6: Quarterly EBITDA, PAT margins trends

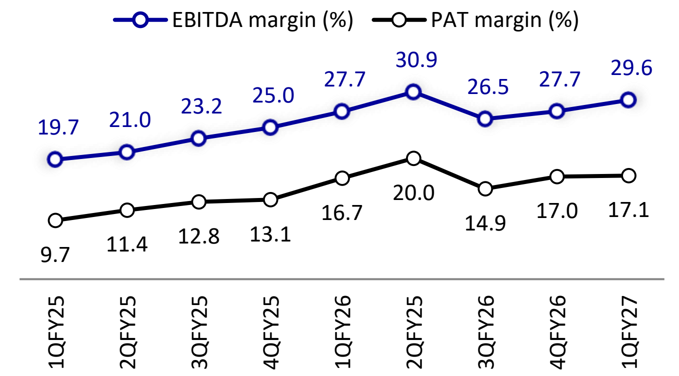


Exhibit 7: Consolidated annual revenue and growth trends

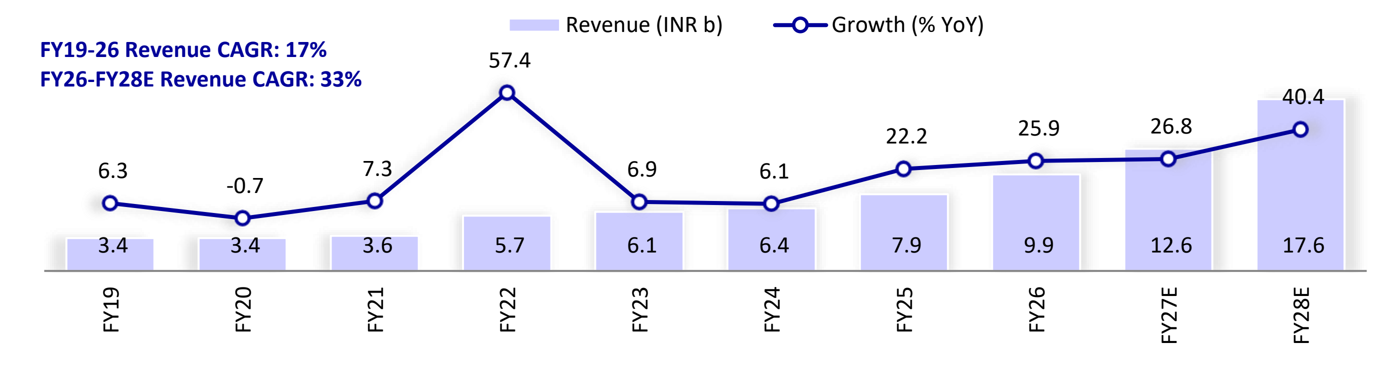
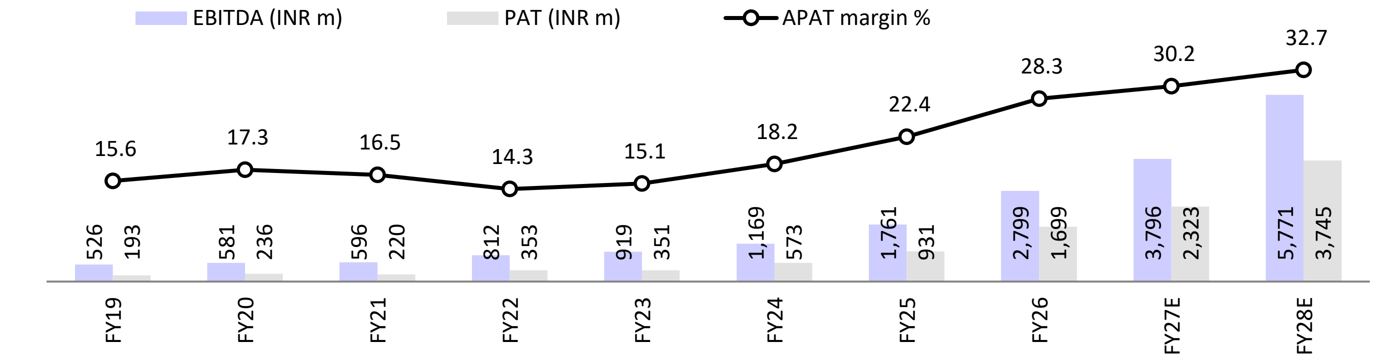


Exhibit 8: Annual EBITDA, Adj. PAT, and margin trends (%)



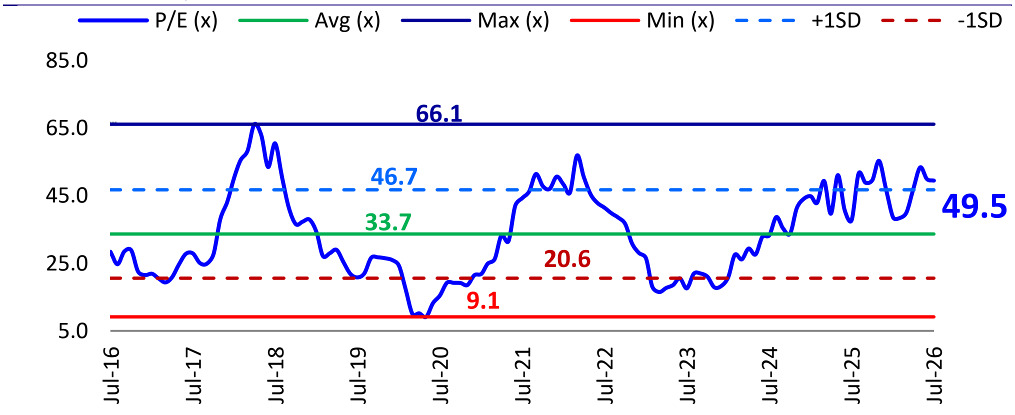
Source: Company, MOFSL

Exhibit 9: Changes to our estimates

INR m	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	12,599	16,490	12,561	17,637	(0)	7
EBITDA	3,812	5,319	3,796	5,771	(0)	9
EBITDA margin %	*30.3*	*32.3*	*30.2*	*32.7*		
PAT	2,396	3,476	2,323	3,745	(3)	8
EPS	52.1	75.6	50.5	81.5	(3)	8

Source: MOFSL, Company

Exhibit 10: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

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**	**12,561**	**17,637**
Change (%)	7.3	57.4	6.9	6.1	22.2	25.9	26.8	40.4
RM Cost	2,153	3,575	3,865	3,701	4,158	4,262	5,346	7,242
Gross Profit	**1,453**	**2,102**	**2,206**	**2,738**	**3,710**	**5,645**	**7,215**	**10,395**
Employees Cost	342	433	479	573	804	1,097	1,400	1,878
Other Expenses	516	857	808	995	1,145	1,749	2,018	2,745
Total Expenditure	**3,010**	**4,865**	**5,152**	**5,269**	**6,107**	**7,107**	**8,765**	**11,865**
% of Sales	83.5	85.7	84.9	81.8	77.6	71.7	69.8	67.3
EBITDA	**596**	**812**	**919**	**1,169**	**1,761**	**2,799**	**3,796**	**5,771**
Margin (%)	16.5	14.3	15.1	18.2	22.4	28.3	30.2	32.7
Depreciation	195	265	333	357	422	492	592	723
EBIT	**400**	**547**	**586**	**813**	**1,339**	**2,307**	**3,205**	**5,048**
Int. and Finance Charges	127	169	179	179	169	159	153	141
Other Income	26	88	45	65	23	78	33	53
PBT bef. EO Exp.	**299**	**465**	**452**	**698**	**1,193**	**2,226**	**3,084**	**4,960**
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	**299**	**465**	**452**	**698**	**1,193**	**2,226**	**3,084**	**4,960**
Total Tax	79	113	101	126	262	527	761	1,215
Tax Rate (%)	26.3	24.2	22.2	18.0	21.9	23.7	24.7	24.5
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**	**2,323**	**3,745**
Adjusted PAT	**220**	**353**	**351**	**573**	**931**	**1,699**	**2,323**	**3,745**
Change (%)	-6.7	60.1	-0.3	63.0	62.5	82.5	36.7	61.2
Margin (%)	6.1	6.2	5.8	8.9	11.8	17.2	18.5	21.2

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	9,214	12,683
Net Worth	**1,819**	**3,670**	**4,014**	**4,592**	**5,477**	**7,167**	**9,306**	**12,775**
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**	**10,896**	**14,965**
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	3,545	4,268
Net Fixed Assets	**2,342**	**3,438**	**3,851**	**4,778**	**5,010**	**6,167**	**6,326**	**9,853**
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**	**5,946**	**8,031**
Inventory	669	1,114	730	836	1,378	1,508	2,065	2,899
Account Receivables	695	1,017	919	1,174	1,717	2,148	2,689	3,728
Cash and Bank Balance	29	471	230	264	231	252	112	289
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**	**2,664**	**3,206**
Account Payables	466	856	534	687	990	859	1,377	1,933
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**	**3,282**	**4,824**
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	**3,938**	**5,551**	**6,056**	**6,884**	**7,590**	**9,248**	**10,896**	**14,965**

E: MOFSL Estimates

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**	**50.5**	**81.5**
Cash EPS	9.0	13.4	14.9	20.2	29.4	47.7	63.4	97.2
BV/Share	40	80	87	100	119	156	202	278
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	7.9	7.4
Valuation (x)								
P/E	702.2	438.5	439.9	269.9	166.1	91.0	66.6	41.3
Cash P/E	372.2	250.2	225.9	166.3	114.3	70.6	53.1	34.6
P/BV	85.0	42.1	38.5	33.7	28.2	21.6	16.6	12.1
EV/Sales	43.4	27.5	25.7	24.3	19.9	15.8	12.4	8.9
EV/EBITDA	263.0	192.0	170.1	133.8	88.8	55.8	41.1	27.1
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	16.2	0.7
Return Ratios (%)								
RoE	12.1	9.6	8.8	12.5	17.0	23.7	25.0	29.3
RoCE (pre-tax)	12.8	13.7	11.2	14.0	19.4	29.3	32.7	39.4
RoIC (pre-tax)	13.9	14.8	12.3	14.9	20.0	30.0	35.6	42.6
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	21.1	36.2
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	3,084	4,960
Depreciation	195	265	333	357	422	492	592	723
Interest & Finance Charges	127	169	179	179	169	159	153	141
Direct Taxes Paid	-60	-64	-60	-88	-175	-494	-670	-1,124
(Inc)/Dec in WC	-326	-266	-6	-270	-483	-169	-629	-1,365
CF from Operations	**235**	**570**	**898**	**877**	**1,126**	**2,215**	**2,529**	**3,335**
Others	-11	-20	2	46	-25	43	-33	-53
CF from Operating incl EO	**225**	**550**	**900**	**923**	**1,101**	**2,257**	**2,496**	**3,282**
(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**	**746**	**32**
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	11	-84	107	12	8	5	33	53
CF from Investments	**-819**	**-1,291**	**-1,009**	**-938**	**-713**	**-1,847**	**-1,718**	**-3,197**
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	-153	-141
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**	**-919**	**92**
Inc/Dec of Cash	**-61**	**341**	**-160**	**31**	**-31**	**17**	**-140**	**177**
Opening Balance	70	10	351	191	222	191	208	68
Other cash & cash equivalent	0	0	0	0	0	0	0	0
Closing Balance	**10**	**351**	**191**	**222**	**191**	**208**	**68**	**245**

NOTES

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

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