

Q2 FY26 EARNINGS UPDATE

Current Price (Ref)

₹2,728

FY27 Target (Base)

₹5,257

Shaily Engineering Plastics Ltd

Market Cap Analysis & Forward Guidance



+163% YoY

Healthcare Revenue

₹98.6 Cr

Driven by GLP-1 Pens



+860 bps

EBITDA Margin

31.8%

Operating Leverage Kicking In



Doubling

Capacity Expansion

80M Units

Target by FY26 End



+134% YoY

Profit After Tax

₹51 Cr

Q2 FY26 Performance

↗ Key Positives & Growth Drivers

✓ Explosive Healthcare Growth

Healthcare segment grew 163% YoY. Now contributes 38% of total revenue (doubled from 17-19%). GLP-1 pen demand is a massive secular tailwind.

✓ Aggressive Capex & IP

₹125 Cr capex to double capacity to 85M units. Proprietary 'Shaily Axiom Max' pen provides IP protection and customer stickiness.

⚠ Key Risks & Concerns

⚠ Valuation Premium

Trading at elevated multiples (~81x trailing, though fwd P/E is lower). Requires flawless execution of growth targets to justify price.

⚠ Execution Risks

Rapid capacity expansion (doubling in 1 year) brings operational risks. Delays in line commissioning could impact FY26 revenue.

✓ Margin Expansion

EBITDA margins expanded by 1,030 bps to 31.8% due to operating leverage and better product mix.

✓ Diversified Wins

4 new healthcare projects, 5 consumer projects (including global retail chains), and new industrial wins reduce dependency risk.

❗ Regulatory & Compatibility

Pen assembly compatibility with client CDMO lines is a critical technical hurdle. Canadian regulatory delays noted as a yellow flag.

❗ Competition

Threat of cheaper Chinese knockoffs in the GLP-1 pen market, though Shaily is building IP defenses.

📍 Management Guidance Summary

METRIC	FY26 GUIDANCE (CURRENT YEAR)	FY27 & BEYOND GUIDANCE
Revenue Growth	30-40% in Healthcare segment; Overall trajectory continues	30-40% annually for Healthcare. Consumer electronics "decent size" from FY28.
EBITDA Margin (OPM)	30%+ sustainable (Achieved 31.8% in Q2)	Sustainable at 30%+ levels; potential to increase with scale.
Profit After Tax (PAT)	₹50+ crores per quarter minimum baseline	Sequential improvement expected. Proj FY27 PAT: ₹230 Cr.
Capex & Capacity	₹125 Cr allocated. Scale to 80M pens by FY26 end.	Axiom Max (Innovator Adoption) expected in 3-4 years (100M+ opportunity).

Q2 FY26 Analyst Concerns & Risk Assessment

RISK	CONCERN	RAISED BY	MANAGEMENT RESPONSE & MITIGATION
● HIGH	Regulatory & Pen Assembly Compatibility	Sanjay Kumar (ithought PMS)	Pens need to work on customer CDMO lines. Management stated "Commercial volumes happening now" but didn't explicitly address the technical compatibility risk in detail.
● MED	Canadian Launch Delays	Rupesh Tatiya (Long Equity)	Expected March timeline may slip to April/May due to regulatory notices. Management claims it's immaterial due to multiple customers.
● MED	Capacity Ramp Execution	Rupesh Tatiya & Sanjay Kumar	25M unit line operational by Q3 FY26 (slipped from Q2). 19 machines installed, process pending for full status.
● MED	Chinese Competition	Vivek Gautam (GS Inv)	5 Chinese knockoffs exist but mainly in China. Shaily relying on aggressive scale-up and IP to remain "uprooted-proof".
● MED	Innovator Adoption Timeline	Ankit Gupta	Innovator programs launch in 3-4 years. Axiom Max target is to land a 100M+ device partner, but it's a longer-term play.
● LOW	Customer Concentration	Ritesh Shah (Investec)	23-24 GLP-1 partners reduce concentration risk. Take-or-pay contracts in place. Can flex capacity if one client delays.
● LOW	Margin Sustainability	Harssh Shah (JM Financial)	Margins sustainable driven by IP-led pens mix. Management confirmed likely to improve as healthcare revenue scales.

RISK	CONCERN	RAISED BY	MANAGEMENT RESPONSE & MITIGATION
● LOW	Oral GLP-1 Threat	Vivek Gautam	Orals are <1/10th as effective with lower bioavailability. Injectable market remains massive and preferred for efficacy.

 Forensic Due Diligence Report
[Detailed Investigation](#)

Executive Summary: The forensic analysis categorizes Shaily as a "High-Contingency" entity. While there is no evidence of fraud, the company carries a distinct portfolio of risks involving high-stakes tax litigation, "job-work" asset compliance under GST, and a material contingent liability of ₹62.44 Cr (FY25).

SEVERITY	RISK CLUSTER	EVENT / KEY FINDING	FORENSIC IMPLICATION & STATUS
● CRITICAL	Indirect Tax & GST	2019 Search & Seizure (Moulds) Raid at Rania Unit	Indicates systemic friction regarding "deemed supply" of capital goods (moulds). Although seizure was vacated, the valuation methodology remains a persistent compliance risk.
● CRITICAL	Contingent Liabilities	FY25 Spike to ₹62.44 Cr From ₹11.50 Cr in FY24	Major Red Flag. Represents material "shadow debt" equal to a significant portion of net profit. Likely triggered by new GST demands or adverse appellate rulings.
● HIGH	Corporate Structuring	Anmol Trading vs. SEPL Bombay High Court Case	Legacy dispute over Section 97 compliance. Demonstrates a history of aggressive legal interpretation to minimize statutory fees during mergers.

SEVERITY	RISK CLUSTER	EVENT / KEY FINDING	FORENSIC IMPLICATION & STATUS
● MED	Direct Taxation	KVSS Amnesty Dispute Litigation vs. Revenue Dept	Company actively litigates to defend tax positions, even when amnesty schemes are involved. Won in Supreme Court (2002), validating their aggressive stance.
● MED	Labor Relations	Rashtriay Mazdur Union Industrial Dispute	Pending demands for reinstatement and back wages. Potential operational risk in the labor-intensive Vadodara/Halol belt.
● LOW	Regulatory (SEBI)	Motika Open Offer Delay Procedural Lapse (2009)	Historical delays in Open Offer requiring corrigenda. No punitive bans or fraud allegations found.

FY27 Investment Thesis

Projected PAT (Base Case)

₹230 Cr

Assuming 25% YoY Growth

Target P/E Multiple

40x

Normalized for Growth & Margins

Target Price (FY27)

₹5,257

Potential Upside: ~93%

Analysis based on Q2 FY26 Earnings Call, Investor Presentation, and Forensic Due Diligence.

Disclaimer: This dashboard is for informational purposes only and does not constitute financial advice. Market data and projections are estimates.