SHAILY
Engineering Plastics Ltd

CIN # L51900GJ1980PLC065554

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**SEPL/SE/Nov/23-24**
**November 10, 20223**

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|---|---|
| **The General Manager,** | **The Manager,** |
| **Corporate Relations/Listing Department** | **Listing Compliances Department** |
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| **Scrip Code: 501423** | **Scrip Code: SHAILY** |

**Sub : Q2FY24 Earnings Call Transcript**

**Ref : Regulation 30 of the SEBI Listing Regulations, 2015**

**Dear Sir,**

We refer to our previous letter dated November 07, 2023, wherein the Company updated the audio link of Earnings call held on 7th November 2023 to discuss the operational & financial performance of the Company for the quarter and half year ended on September 30, 2023.

In context therein, kindly find attached herewith transcript of the referred Earnings call.

A copy of the same is also available on the Company's website at www.shaily.com at https://www.shaily.com/investors/compliances-policies/earnings-call

Kindly take the same on record.

Thanking You

Yours truly,
**For Shaily Engineering Plastics Limited**

DIMPLE ASHWINBHAI MEHTA

Digitally signed by DIMPLE ASHWINBHAI MEHTA
Date: 2023.11.10 17:33:59 +05'30'

**Dimple Mehta**
**Company Secretary &**
**Compliance Officer**

**M. No. A 31582**

"Shaily Engineering Plastics Limited

Q2 & H1 FY'24 Earnings Conference Call"

November 07, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th November, 2023 will prevail

**MANAGEMENT:** **MR. AMIT SANGHVI – MANAGING DIRECTOR – SHAILY ENGINEERING PLASTICS LIMITED**
**MR. SANJAY SHAH – CHIEF STRATEGY OFFICER – SHAILY ENGINEERING PLASTICS LIMITED**
**SGA, INVESTOR RELATIONS ADVISORS – SHAILY ENGINEERING PLASTICS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Shaily Engineering Plastics Limited Q2 FY '24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Sanghvi, Managing Director, Shaily Engineering Plastics Limited. Thank you, and over to you, sir.

**Amit Sanghvi:** Thank you very much. Good evening, and a very warm welcome to all the participants to the post results earnings call of Shaily Engineering Plastics Limited. I have with me Sanjay Shah, our Chief Strategy Officer; and now also our Chief Financial Officer; and SGA, our Investor Relations Advisors.

I hope you've had a look at our investor presentation that is uploaded on our website and the stock exchange.

Let me give some highlights on the operational and the business performance for the quarter. Despite a challenging global environment, we delivered a top line of INR158 crores, and we've improved our gross margins and EBITDA margins, which stand at 41.1% and 17.16%, respectively. You're all aware that we have spent significant time in developing drug delivery platforms based on our own IP and have also made significant capital investments in creating new facilities for scale up.

These efforts are kindly yielding results. And we’re now seeing the start of commercialization of some of our platforms. I’m happy to announce that we received our first commercial, which is post EB batches purchase orders from a few customers for some of our platforms. I would only reiterate that in this sector, our business scope is very extensive, and we are committed to continuous growth in the coming months and years onwards.

In addition to commercialization of our own products, we have also been awarded a new applicator project, for which we will start supplies in July 2024, where the total value of the additional business is INR35 crores per annum. On the home furnishings front, we have been awarding business for new products whose total value stands at INR50 crores per annum, for which supplies will start in quarter 2 of FY ‘25.

We are strengthening our relationship with customers. We are also working with the home furnishings major on scalable of our steel furnishings business and have received business confirmations for additional volumes that we’ll see improved utilization not only in the current year, but also in the next. In the automotive and Engineering segment, we have added three new products and the total business value stands at 3.5 to 5 crores per annum.

We're delighted to announce that we have been awarded a new order of supply of 6 components in the Engineering segment by one of our oldest customers, Ascoval. That is all from my side. I shall now hand over the call to Sanjay Shah to give you the operating and financial highlights. Thank you very much.

**Sanjay Shah:** Thank you, Amit. Good evening, everyone. I should share with you the highlights of our operational and financial performance of Q2 and H1 FY '24, following which we will be happy to respond to your queries. During the quarter processed -5,673- tons of polymers as against 5,145 tons in Q1 FY '23. For the half year ended in process, 11,495 tons of polymers as against 11,905 tons in H1 FY '23. Machine utilization rate was around 40% in Q2 FY '24 and 41.5% in H1 FY '24. Exports during H1 FY '24 stood at 74.5% of total revenue.

Now I should take you on stand-alone results highlights for Q2 FY '24. Revenue stood at INR155.7 crores during Q2 FY '24 as compared to INR150 crores during Q2 FY '23. EBITDA stood at INR25.5 crores during Q2 FY '24 as compared to INR25.1 crores during Q2 FY '23. EBITDA margins stood at 15.4% for Q2 FY '24, an increase of 70 bps over Q2 last year.

PAT stood at INR9.9 crores during Q2 FY '24 as compared to INR9.4 crores during Q2 FY '23. PAT margin stood at 6.3%, an increase of 40 bps over Q2 last year. Cash PAT for Q2 FY '24 was reported at INR17.9 crores as compared to INR17.1 crores during Q2 FY '23.

Now coming to H1 FY '24 highlights. Revenue stood at INR308.5 crores in H1 FY '24 as compared to INR332 crores during H1 FY '23. EBITDA stood at INR49.2 crores in H1 FY '24 as compared to INR46.8 crores during H1 FY '23, growth of 5%. EBITDA margin stood at 16%, an increase of 190 bps over H1 last year. PAT stood at INR18.5 crores in H1 FY '24 as compared to INR16.8 crores during H1 FY '23, a growth of 10%. PAT margin stood at 6%, an increase of 90 bps over H1 last year.

Cash PAT for H1 FY '24 was reported at INR34.7 crores as compared to INR32.2 crores during H1 FY '23. Our ROCE and ROE stood at 14% and 9.3%, respectively, as on 30th September 2023. The growth in business has been achieved with disciplined use of capital. Our debt-to-equity stands at 0.5x and our long-term debt to equity stands at 0.15x.

Now I shall brief you on the consolidated results highlights. Revenue stood at INR157.6 crores during Q2 FY '24 as compared to INR161.3 crores during Q2 FY '23. EBITDA stood at INR26.6 crores during Q2 FY '24 as compared to INR25.9 crores during Q2 FY '23. EBITDA margin stood at 16.9% for Q2 FY '24, an increase of 18 bps over Q2 last year. PAT stood at INR10.8 crores during Q2 FY '24 as compared to INR10.1 crores during Q2 FY '23. PAT margin stood at 6.9%, an increase of 17 bps over Q2 last year. Cash PAT for Q2 FY '24 was reported at INR18.9 crores as compared to INR17.7 crores during Q2 FY '23.

Now coming to H1 FY '24 consolidated highlights. Revenue stood at INR314.9 crores in H1 FY '24 as compared to INR336.3 crores during H1 FY '23. EBITDA stood at INR54.2 crores in H1 FY '24 as compared to INR50.2 crores during H1 FY '23, a growth of 8%. EBITDA margin stood at 17.2%, an increase of 230 bps over H1 last year. PAT stood at INR23.4 crores in H1 FY '24 as compared to INR19.6 crores during H1 FY '23, a growth of 20%. PAT margin stood at 7.4%, an increase of 160 bps over H1 last year. Cash PAT for H1 FY '24 was reported at INR39.7 crores as compared to INR31.1 crores during H1 FY '23.

This is all from our side. Now we can open the floor for Q&A.

**Moderator:** The first question is from the line of Aman Vij from Astute Investment Management.

**Aman Vij:** It was good to hear about the possible commercialization starting for our device business. So just on that part, sir. So, we were waiting for, I think, the U.S. FDA clearance from one of our clients. So, does it mean that is now completed and this will result in commercialization or this is some other product or project we are talking about?

**Amit Sanghvi:** This is another pen, Aman. Again, it's not that FDA clearance has come in. We are anticipating FDA clearance to come in but are preparing for commercial orders.

**Aman Vij:** Okay. So, this is apart from that. This is a new commercialization factor.

**Amit Sanghvi:** Yes.

**Aman Vij:** My next question was we had talked about our target to reach around -- sell around 15 million pens by the end of this year. So, are we on track to do that? And will the bulk of the scale happen in H1 or -- already in H1, we have had like a majority of that target fix.

**Amit Sanghvi:** No, we have not had majority of the targets in H1. So, quarter 3 and quarter 4, we'll see bulk of the sales, but we will likely not get to 15 million. It's -- there's going to be a shortfall, not a very significant one, but there will be a shortfall.

**Aman Vij:** Sure, sure, sure. And any kind of targets we have for the next year?

**Amit Sanghvi:** We will assess the situation on sales in quarter 3 and quarter 4 and then give an update during the beginning of next year. Certainly, registered growth, but we don't know how much at this point.

**Aman Vij:** Sure, sir. And on the own IP pen, sir, is it safe to assume that the majority of this is currently insulin linked only rather than the new molecules?

**Amit Sanghvi:** Can you repeat that, Aman, we lost you again.

**Aman Vij:** Yes, sure sir. I was saying in terms of own IP sales -- own IP pen sales, so is it right to assume that majority of this is insulin linked rather the -- we are entering a lot of new areas. So is it safe to assume that as of today.

**Amit Sanghvi:** No. On our own IP products, it's not insulin linked. It's more GLP-1s and parathyroid hormones?

**Aman Vij:** Sir, we had recently, I believe, participated in CPHI conference. So, if you can talk about how was the response given now we have a very extensive range of platforms available to offer to our customers.

**Amit Sanghvi:** The plan was to give a full CPHI update on the next call because the CPHI happens in October. But just to put it very shortly, very briefly, we had a fantastic conference. I don't think I had an idle minute at the conference from day 1 until the last day. So very, very positive response not only from generics but also from some innovator company.

**Aman Vij:** Sure, sure. As of now, how many international customers do we have for this division?

**Amit Sanghvi:** We have 2 international customers at the moment.

**Aman Vij:** Okay. And given the response, do you see this number going substantially in the next 2, 3 years.

**Amit Sanghvi:** I don't know -- yes, I mean from a baseline of 2, it will grow substantially.

**Aman Vij:** Sure, sir. Just final question from my side. I'll get back in the queue. The new orders which you have talked about, which will get executed mostly next year. These are in addition to the orders we had in Q1.

**Sanjay Shah:** Yes.

**Aman Vij:** These are totally new orders?

**Sanjay Shah:** Yes. So, the home furnishing order or the automotive engineering order or order on the health care space, all these are new orders which have happened in the current quarter.

**Aman Vij:** And the remaining -- the Q1, which you had talked about some of the orders you're expected to execute in, I believe, Q4 onwards, that is still on track or is there any...

**Sanjay Shah:** That is still on track. That is still on track.

**Moderator:** The next question is from the line of Priyank Parekh from Abakkus Asset Managers.

**Priyank Parekh:** I wanted to understand the sales mix that we have in current quarters vis-a-vis the March 2023 quarter, wherein we have seen substantial high EBITDA margin compared to the last 2 quarters. So just wanted to understand how sales mix has shifted.

**Sanjay Shah:** So, Priyank, in the March quarter, I think we had also mentioned it on the call. While we do not give individual numbers, but we've said we had a fairly large revenue coming in from the health care or the device space where we supplied exhibit batches to with some customers and -- so 3 or 4 shipments which we'll make. All of them were bunched in Jan to March. So that's the reason you saw that bump-up happening. We're also seeing is when you look at last year to this year, we're seeing a slow improvement in the EBITDA margin. And this is what we expect to continue going forward.

**Priyank Parekh:** Okay. So, as you mentioned that the bulk of the sales of…

**Amit Sanghvi:** We lost him?

**Moderator:** Yes sir. Since the line for the current participant has dropped off, we'll move on to the next question. That is from the line of Nirali Gopani from Unique PMS.

**Nirali Gopani:** My first question is to you on the gross margin side. So, if I see the gross margin for the quarter compared to the last quarter, Q-on-Q, there is a good decline of 3%. Sir, can you share your thoughts on that?

**Sanjay Shah:** So, Nirali, when you look at from quarter 1 to quarter 2, you would also see that revenue -- when you look at stand-alone and consolidated, you will see revenues from our U.K. subsidiary have been a little lower as compared to quarter 1. So, there have been some lesser revenues or the Pharma front and that's the reason we're seeing a reduction in the gross margins. It is more of a mix thing than anything else.

**Nirali Gopani:** Okay. Perfect. And you have been sounding very positive on the next 2 quarters of this financial year. So, if you can highlight how do you see the growth coming in for the next 2 quarters, like, can we see a top line of somewhere about INR175 crores to INR200 crores coming in the next 2 quarters?

**Amit Sanghvi:** I think I'm very confident of bottom line growth, top line growth I'm not confident of INR200 crores in the next 2 quarters. Top line growth will be there, but it won't be to that tune. I feel bottom line growth will be more substantial in the next 2 quarters.

**Nirali Gopani:** Largely backed by a higher margin because of the health care segment?

**Amit Sanghvi:** That's right.

**Nirali Gopani:** Perfect. And, sir, if I see the last 2 quarters, we have -- you announced new orders worth of INR190 crores, INR200 crores. So, when we look at FY '25, so in addition to this INR200 crores, the base business should also grow substantially. And hence, FY '25 should see exponential growth on revenue and margins. Is that understanding correct?

**Sanjay Shah:** So, we will see growth. I don't want to put in an adjective there in terms of exponential or not. Yes, we will see growth on the top line as well as at the margin level.

**Amit Sanghvi:** Current situation is that it's -- there's a lot of uncertainty in demand. While we've gotten new business, we don't know what will happen to the demand for the preexisting business, especially in the nonhealth care side of the business. So, there are certain -- like, as I said, there will certainly see growth, both top and bottom line whether it will be INR200 crores, whether there will be something that gets eaten up in the current business. It is a little too early to tell at this point. But we will provide that update likely in quarter 4.

**Moderator:** The next question is from the line of Priyank Parekh from Abakkus Asset Managers LLP.

**Priyank Parekh:** Just wanted to understand the INR49 crores of capex that we have done on the first half. So, for what this capex is done? And secondly, how is the capex outlook for the next half of this year?

**Sanjay Shah:** So Priyank, a large part of this capex is the continuing capex, which we did in terms of expanding our pharma facility, device manufacturing facility. So, capex is for that reason. We have completed a large part of this capex during H1 of FY '24. There is some spillover which will happen in Q3, which will continue. So, I think from a major capex cycle, we would be completely over by Q3 of FY '24.

**Priyank Parekh:** Okay. Got it. And over our toys business, are we having any update compared to the previous quarter, where we were not seeing substantial business in Toys segment.

**Sanjay Shah:** I think we will still continue with the same view as we talked about in quarter 4.

**Amit Sanghvi:** We're not actively pursuing Toys business at this point. We participate where this is value add, but otherwise, we're not actively pursuing.

**Priyank Parekh:** Okay. Okay. So, over the last 3, 4 years, there has been substantial import substitution has been happening in India, especially in Toys. So, are we seeing any opportunity from that perspective?

**Amit Sanghvi:** Not quite.

**Sanjay Shah:** We've not seen a lot of opportunities there, especially because -- I do agree with you there is some localization happening, but none of these guys -- none of the local guys have volumes to basically look at making investments and tooling and everything.

**Priyank Parekh:** Okay. Okay. And my last question was on our hunt for the CEO. So, are we having any development on that side?

**Amit Sanghvi:** It is very unfortunate. We had finalized the CEO and the person was to join in the next 2 weeks, but he has pulled out. So, we're going to have to start the search again.

**Moderator:** The next question is from the line of Harshil Shethia from AUM Fund Advisors LLP.

**Harshil Shethia:** Sir, can you comment on the Carbon Steel business, what kind of utilization are we at? Because in the last quarter, you mentioned about ramp-up? And what kind of pipeline is there in the same business?

**Sanjay Shah:** So, Harshil, we've seen improvement at the utilization level in that plant. And we continuously -- we continue to work with the customers to basically see how we can improve utilization level going forward. So, if were to compare Q2 of last year to Q2 of this year, we have seen a substantial improvement in the utilization levels as well as on the top line. And only if you were to compare Q1 to Q2, you have seen improvement.

**Harshil Shethia:** Okay. So, because in the previous quarter, we had also mentioned that, that would lead to a better margin improvement so -- due to operating leverage kicking in. So, do we see any kind of margin improvement in the same? Or if you can say by 100 bps or 150 bps or whatever...

**Amit Sanghvi:** So, Harshil, if you were to look at Q1 and Q2 of last year and then compare it to Q1 and Q2 of this year, you have seen margin improvement happening in Q1, Q2 or even H1 over last year. So, part of that margin increase is -- the last part of the margin increase is coming in from the health care, but part of it is also coming in where we have been able to plug the leakages around Carbon Steel with input utilization level and everything. So that's a combination of these factors.

**Harshil Shethia:** Sir, are we at breakeven in the Carbon Steel business?

**Amit Sanghvi:** We would not be able to talk about individual businesses, Harshil, so...

**Moderator:** The next question is from the line of Miraj from Arihant Capital.

**Miraj:** Congratulations Sanjay sir on the appointment as CFO. We just had a couple of questions. Looking at the volumes for the quarter, could you please highlight which segments grew slower than expected and which segments grew as expectations? That would be my first question.

**Sanjay Shah:** So, Home Furnishings grew as what we expected -- Home Furnishings and FMCG grew as what we expected. We -- some of our shipments on our health care have moved from quarter 2 to quarter 3. But I think when we look at it from the whole year perspective, I don't think we will basically have an issue in terms of the shipments because these are development projects where it takes some time.

**Miraj:** Sir, in the presentation, on the 6th slide it is written that we've got new orders for supply of 6 components to ASCO, to the oncology society. If you could please just highlight -- I still didn't understand what exactly this order was for?

**Sanjay Shah:** So ASCO is as an existing customer, basically manufacturing engineering components and enterprise. We have been supplying to ASCO for over 20 years now -- 15 -- 18 to 20 years. And this is a new order which we have got from them. That's what we've talked about it.

**Miraj:** Okay. So, could you quantify how much is the order value worth here or that is not possible?

**Sanjay Shah:** The volumes will, therefore, year-on-year. So, we will not quantify the volume.

**Miraj:** Just final question before I get back to the queue. On the same page, there's written that we've decided for the split of shares. But I found no other release on exchange. That is approved by the Board or that is still going to happen in the next meeting?

**Sanjay Shah:** Miraj, that's has been approved by the Board, that has also been approved by the shareholders. This was done post the last quarter's Board meeting. We had a separate meeting for that. So, it has been approved by the Board. So approved by the shareholders in the AGM. We are going through the formal process. I think the shares should get. If it will be increased -- from a INR10 share, we are taking it to INR2. So, it will be 5 shares for every 1 share held. And the whole process should be completed probably by the end of November.

**Moderator:** The next question is from the line of Rajvi Shah from Bright Securities.

**Rajvi Shah:** I had a few questions. The first one is, sir, can you elaborate more on the order that we have received in the last quarter related to new applicator project in the Pharma space.

**Amit Sanghvi:** What kind of elaboration are you looking for, Rajvi?

**Rajvi Shah:** Like on the order perspective?

**Sanjay Shah:** So, I mean the order value has been given. And what we also said is we will be looking at commercializing this in Q2 of FY '25. Rest of it, we would be bound by NDA in terms of what is that application and everything is, but this is going to be a recurring order. So, it will be a yearly order which will be recurring year-on-year.

**Rajvi Shah:** The next question I had is, sir, on the Home Furnishing segment. We have received new supply for which segment? Also, any development on additional customer in Home Furnishing? And which geography and what type of customers are you targeting for this segment?

**Sanjay Shah:** We continue to work with our existing customers on the Home Furnishing segment. This order is from our existing customer. And we supply to this customer all across the group, wherever they have stores. So those are predominantly to Europe and the U.S., but then we also supply to China, Asia, Middle East and other places wherever they have stores.

**Moderator:** The next question is from the line of Richa Agarwal from Equity Market.

**Richa Agarwal:** Sir my question was…

**Moderator:** Sorry to interrupt, ma'am. We are unable to hear you clearly. The next question is from the line of Nirali Gopani from Unique PMS.

**Nirali Gopani:** So, in this quarter, we have seen a good jump in other income. Any particular reason? And what does it include?

**Sanjay Shah:** So, this is a normal thing. So, there's nothing one-off, which is there.

**Nirali Gopani:** But nothing related to the operations of the business, right? So ideally, if we -- if I eliminate other income and see the EBITDA...

**Sanjay Shah:** Yes. Most of our other income would also be related to our business only.

**Nirali Gopani:** Okay. Because if I eliminate the other income and see the EBITDA margin, there is a decline sequentially because of obviously the gross margin. So just wanted to understand when you say that you see a significant jump in the EBITDA margin in the coming quarter and say next year, so from what level should we see this growth?

**Sanjay Shah:** So just to answer your first question, the other income basically includes FX gain. So -- which is relative to the business. Okay. Can you repeat your second question once again.

**Nirali Gopani:** No. So, because if I eliminate other income, I was just seeing an EBITDA margin of 15% for the quarter. So, I just wanted to understand when we see a growth in the EBITDA margin in the next 2 quarters or over FY '25. So, what level should we see this growth from current growth of 17%, which is mentioned in the presentation?

**Sanjay Shah:** Similarly, I think looking at Shaily's margins on a quarter-on-quarter basis would not be correct. What I would again reiterate is when you look at margins, you look at the full year margins, which we achieved for quarter FY '23. Based on that, we are looking at growth in FY '24 and FY '25 going forward.

**Moderator:** The next question is from the line of Aman Vij from Astute Investment Management.

**Aman Vij:** Sir, on the health care side, what kind of growth are we expecting in the second half?

**Sanjay Shah:** Can you elaborate the question a little bit?

**Aman Vij:** And so, at the start of, I think, last quarter, you had talked about you're targeting very high growth for the full year. So, are we on track of that? Is it just lower than our expectation? Is it much higher than our expectation, if you can talk about that part?

**Amit Sanghvi:** We are on track to achieve that growth. Again, like I said, the 15 million pens is going to be a little bit less than that. So, whatever drop that entails will be the only drop. Otherwise, we're on track to achieve that.

**Aman Vij:** So that 50%, 60% kind of growth on health care side still stands?

**Amit Sanghvi:** Yes.

**Aman Vij:** Sure sir. So, sir, there's a -- lot of the Indian generic players are facing some or the other issue related to U.S. FDA audit recently. So do you think this can have an impact on our plans as well.

**Amit Sanghvi:** Yes. I mean it can certainly have an impact on our plans. But all the ones we're looking at commercializing in -- or have started will start shipment of commercial orders. We have not seen those customers face an issue with the FDA. So, there could be a potential longer-term impact, but nothing in the next 24 months that I can see today.

**Aman Vij:** In terms of number of project additions and by project -- I mean say 1 customer, 1 pen, 1 platform, what kind of additions do you think will happen for this year and next year?

**Amit Sanghvi:** I mean we're having active discussions with probably a dozen or more customers on various molecules and devices. I would assume that at least 60%, we should be able to convert.

**Sanjay Shah:** Aman, just to add to what Amit said is, I think every quarter, we intimate you guys in terms of what is happening. So that's what we would do.

**Aman Vij:** And just final thing on this part. In the presentation, in terms of the platforms we have shown, I could not see the Neo platform. You have shown the other 5, neither I could see the injector -- the Mira platform, which is available on the website. So, any reason for not including those?

**Sanjay Shah:** Neo we're not showing it on the -- for some specific reasons.

**Amit Sanghvi:** The Neo platform will be updated on our presentation. We've already created our new health care presentation. You will probably see it in the next quarter.

**Moderator:** The next question is from the line of Miraj from Arihant Capital.

**Miraj:** Sir, on the health care side, I wanted to understand the kind of prospects that defer when we sign with an innovator and a generic player. I just wondered if you could just throw some light on what kind of opportunities would differ? And if we are in talks with any innovator right now in advanced stages?

**Amit Sanghvi:** We are in talks with an innovator on a novel molecule. I would probably not say that it's a very advanced stage, is somewhere in between -- it's not at initial stage conversation either, but somewhere in between. So, we're going through the evaluation process of our devices that are suitable for their molecule and primary container.

And once that is complete, we will undertake the agreement discussions. So that will be a new one for us where we have a new chemical entity that we onboard -- hopefully, onboard. And with generics, we understand the market a lot better because we know what is coming to an expiry, what is going to have an NCE-1 filing deadline. And our development is largely based on that. Some of our development also happens for innovators. But largely, all the platforms that we have been able to commercialize or get to design verification are based on the deadlines that we see with the generic industry?

**Miraj:** Great. So, the innovator -- if we sign any innovator, I'm just not putting up a question that we are going to. But the opportunities will be significantly different from what we have with generic players or would it be in the same range? I mean, in terms of volumes that we may do, I just wanted to understand that.

**Amit Sanghvi:** See with a generic player, you know the volume. Thus, you know what the innovator is doing and how much of a market share generics can take up. With an innovator with a new chemical entity, you're not going to know what the volumes will be. There are essentially predictions, right? So, there is certainly a very high upside if the drug does well. But there's also a downside if the drug doesn't do well. So, with the generic business, there is more clarity in terms of what your future will look like.

**Miraj:** Got it. And my final question, sir, on the FMCG side that we've mentioned, there's a new packaging development. Is it a product-based development or is it some client based? If you could just explain what would exactly the development there?

**Sanjay Shah:** So, it will be client-based development.

**Miraj:** You'll be sharing more details in the next quarter, right, once it is in progress?

**Sanjay Shah:** Yes. So, this also has already been confirmed. So, we're doing the development now, and we would start supplying between 4 to 6 months.

**Moderator:** The next question is from the line of Richa from Equitymaster.

**Richa:** Sir, my question was related to the capex that you were suggesting a part of it will be more or less done by third quarter. So just wanted to understand for whatever growth in Pharma, we are expecting 2x to 3x. Will this capex be enough, the gross profit would be enough to cater to that kind of growth. And also, I mean, currently, the turnover is 0.9. What kind of turnover would you expect based on the product mix that you envisage 2 to 3 years from now on the current gross block?

**Sanjay Shah:** So, Richa, what we have said is the large part of our Pharma capex is done. We have created space for a total of additional 36 moulding machines out of which 12 moulding machines have been put in. We will need to add another 12 plus 12, 24 machines, but they will be added gradually as the ramp-up happens. And once the utilization levels within the existing Pharma facility improve.

**Richa:** And what kind of utilization turnover we are looking at once these capacities get settled and optimally utilized?

**Sanjay Shah:** Again, I think giving individual numbers would basically be difficult, but when you....

**Richa:** Overall current gross block.

**Sanjay Shah:** I'm sorry, I lost you. I can't hear you.

**Richa:** Overall current gross block...

**Sanjay Shah:** That's what I was coming to. So, on an overall gross block, what we have said is somewhere between 2.25% to 2.5 % of our fixed asset investment is the turnover, which we would be...

**Moderator:** The next question is from the line of Bhavin Rupani from Investec.

**Bhavin Rupani:** Just -- sir, just wanted to understand how should one look at the margins and the capex requirement for the new orders that you have announced in Q1 and Q2?

**Sanjay Shah:** The new orders which we announced in Q1 and Q2, we would be basically utilizing our existing infrastructure which we have and we are basically adding in our health care facility. So that will take care of these orders.

**Bhavin Rupani:** So, sir, you are saying that no additional capex is required?

**Sanjay Shah:** There will be some marginal capex but nothing substantial.

**Bhavin Rupani:** Okay. And sir, how should one look at the margins as compared to the company-level margins -- existing company level margins?

**Sanjay Shah:** I mean every business will have different margins. So, it will be different for me to quote, but I said on an overall basis, we expect going forward margins to improve as the top line improves.

**Bhavin Rupani:** All right. And sir, just one clarification. Is it correct that we are looking at margin expansion in FY '24 versus FY '23, if I understand correct.

**Sanjay Shah:** If you look at H1 numbers and compare it to the H1 numbers last year, you have seen margin expansion at the EBITDA level and at the PAT level. We hope we continue that for the end of -- the balance part of the year also.

**Moderator:** As there are no further questions, I now hand the conference over to the management for the closing comments.

**Amit Sanghvi:** Thank you, everyone, for joining the call. We hope that we've been able to answer your questions adequately. For any further information, I request you to get in touch with SGA, our Investor Relation advisers. Thank you and have a great evening.

**Moderator:** Thank you members of the management team. Ladies and gentlemen, on behalf of Shaily Engineering Plastics Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.