Shaily Engineering

Estimate change	⇔
TP change	⇔
Rating change	⇔

CMP: INR3,170 TP: INR4,074 (+29%) Buy

Healthcare drives growth; robust outlook intact

Revenue/EBIDTA/PAT grew 24%/22%/20% YoY in 2QFY27

- Shaily Engineering's (SHEP) 2QFY27 result was driven again by its healthcare segment, while weakness persisted in the consumer segment.
- Healthcare revenue surged 78% YoY, driven by increasing traction in GLP-1 pen volume following patent expiry in India and Canada.
- Consumer revenue slid 14% YoY due to continued weak consumer sentiment in the US and Europe. Industrial revenue grew 23% YoY.
- EBITDA margin further expanded 81bp YoY to 30.4%, driven by greater revenue mix of higher-margin healthcare segment.
- Domestic revenue surged 33% YoY, driven by expanding GLP-1 pen volume supply to domestic pharma customers after opening of generic drug market.
- The company generated healthy OCF in 1HFY27.

Key highlights from the management commentary

- **Healthcare:** FY27 guidance of 36m pen is expected to surpass after ~20m pens already sold in 1H (1Q: 9m, 2Q: 10.4m). GLP-1 therapy should contribute ~70% of the total volume. SHEP has 100% share in Canada GLP-1 markets and aims to replicate similar success in Turkey and Brazil, having the first mover's advantage. Pricing pressure in pens is already built in in new contracts. Device for emergency use can come for commercial production by 2028 end, and it is working with two customers currently. 25m new pen capacity will start selling from Dec'26. It signed two new contracts for IP-led platforms for Semaglutide pens. It launched two-step reusable auto-injector pen, Shaily AI Toby, for GLP-1 therapy.
- **Consumer:** Business confirmation received for new product from an existing home furnishing customer; increased volumes for existing product from home furnishing customer; FY27 revenue likely to fall YoY.
- **Consumer electronics:** Started supplying in small batches; business confirmation from a new customer to supply five new products likely from 4QFY27; margins to be better than consumer and industrial segments.
- **Semiconductor:** Started supplying specialized trays from existing facility; revenue is likely to accrue from 4QFY27.
- UK subsidiary is expected to come back strongly in next few quarters.

Valuation and view: Reiterate BUY

We maintain our earnings estimates after healthy 2Q results. We expect a CAGR of 33%/44%/48% in revenue/EBITDA/PAT over FY26-28, with a 32%+ EBITDA margin in FY28, driven by pen volume commitments from key healthcare customers. Robust RoE/RoCE (~29%/39% in FY28E) and OCF (FY26-28: ~INR8b) will support the expansion of GLP-1 pen capacity by ~5x. Thus, **we are constructive on SHEP and reiterate our BUY rating with a TP of INR4,074, based on 50x FY28E EPS. Slower-than-expected earnings growth could lead to a de-rating in the scrip's valuation and pose a risk to our positive view.**

Bloomberg	SHEP IN
Equity Shares (m)	46
M.Cap.(INRb)/(USDb)	145.8 / 1.5
52-Week Range (INR)	3615 / 1660
1, 6, 12 Rel. Per (%)	2/29/49
12M Avg Val (INR M)	817
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	50.8	81.5
EPS Gr. (%)	82.5	37.5	60.3
BV/Sh. (INR)	156	203	278
Ratios			
RoE (%)	23.7	25.1	29.3
RoCE (%)	29.3	33.5	39.4
Payout (%)	8.1	7.9	7.4
Valuations			
P/E (x)	85.7	62.4	38.9
P/BV (x)	20.3	15.6	11.4
EV/EBITDA (x)	52.6	38.6	25.6
Div. Yield (%)	0.1	0.1	0.2

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	41.1	41.1	43.7
DII	16.2	14.8	13.7
FII	19.4	18.2	11.3
Others	23.3	25.9	31.3

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance

(INR m)

	FY26				FY27E				FY26	FY27E	FY27E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Sales	**2,467**	**2,567**	**2,505**	**2,368**	**2,807**	**3,195**	**3,221**	**3,355**	**9,907**	**12,577**	**3,070**	**4**
YoY Change (%)	37.5	33.7	26.8	8.7	13.8	24.5	28.6	41.6	25.9	27.0	19.6	
Total Expenditure	1,784	1,773	1,842	1,712	1,976	2,224	2,248	2,313	7,107	8,762	2,148	
EBITDA	**683**	**793**	**663**	**656**	**831**	**971**	**972**	**1,041**	**2,799**	**3,815**	**922**	**5**
Margins (%)	27.7	30.9	26.5	27.7	29.6	30.4	30.2	31.0	28.3	30.3	30.0	
Depreciation	114	120	125	133	140	143	148	153	492	584	145	
Interest	39	39	44	37	33	30	25	25	159	113	40	
Other Income	21	23	1	37	3	47	20	20	78	90	10	
PBT before EO expense	**551**	**657**	**495**	**523**	**659**	**846**	**819**	**883**	**2,226**	**3,208**	**746**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**551**	**657**	**495**	**523**	**659**	**846**	**819**	**883**	**2,226**	**3,208**	**746**	**13**
Tax	140	144	121	122	179	233	221	238	527	872	179	
Rate (%)	25.3	22.0	24.5	23.3	27.2	27.5	27.0	27.0	23.7	27.2	24.0	
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	
Profit/(Loss) - Associates	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**411**	**513**	**374**	**402**	**480**	**613**	**598**	**645**	**1,699**	**2,336**	**567**	**8**
Adj. PAT	**411**	**513**	**374**	**402**	**480**	**613**	**598**	**645**	**1,699**	**2,336**	**567**	**8**
YoY Change (%)	136.2	133.8	48.4	40.5	16.7	19.5	60.0	60.6	82.5	37.5	10.7	
Margins (%)	16.7	20.0	14.9	17.0	17.1	19.2	18.6	19.2	17.2	18.6	18.5	

E: MOFSL Estimates

Operating performance

	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	% YoY	% QoQ
Segment Revenues (INR m)								
Consumer	1,514	1,349	1,228	1,021	1,155	1,159	(14)	0
Healthcare	772	986	1,043	1,128	1,424	1,751	78	23
Industrial	181	232	234	219	227	286	23	26
Total revenue	**2,467**	**2,567**	**2,505**	**2,368**	**2,806**	**3,196**	**25**	**14**
Segment Revenues - Mix (%)								
Consumer	61	53	49	43	41	36		
Healthcare	31	38	42	48	51	55		
Industrial	7	9	9	9	8	9		
Geographical Revenue (INR m)								
Exports	1,713	1,590	1,686	1,279	1,596	2,081	31	30
Domestic	538	766	679	961	1,151	1,016	33	(12)
UK, UAE Subs. (Platform Fees)	216	210	141	128	59	98	(53)	67
Total revenue	**2,467**	**2,567**	**2,505**	**2,368**	**2,807**	**3,195**	**24**	**14**
Geographical Revenue - Mix (%)								
Exports	69	62	67	54	57	65		
Domestic	22	30	27	41	41	32		
UK, UAE Subs. (Platform Fees)	9	8	6	5	2	3		



Key highlights from the management commentary

Business development

- SHEP is on track to exceed the earlier FY27 guidance of 36m devices, of which 70% is likely to be GLP-1 pens.
- Key focus areas: Pen capacity ramp up; expansion in oncology and other therapies; scale-up of semiconductor revenue; maintains margin discipline.
- SHEP has 100% share in Canada GLP-1 markets. It aims to replicate similar success in Turkey and Brazil, having the first mover's advantage.
- Pricing pressure in pens is already built in in new contracts.

Healthcare (revenue up 78% YoY, 55% mix)

- Sold 10.4m pen devices in 2Q.
- Generic drugs have started gaining strong traction in global markets where patents have expired.
- Device for emergency use can come for commercial production by end-2028; working with two customers currently.
- The 25m new pen capacity to start selling from Dec'26.
- Eye applicator – aims to launch in early 4QFY27.
- Toby's 80% development is done
- Signed two new contracts for IP-led platforms for Semaglutide pens.
- Launched two-step reusable auto-injector pen, Shaily AI Toby, for GLP-1.

Consumer (revenue down 14% YoY, 36% mix)

- Business confirmation received for 1) new product from an existing customer and 2) increased volumes for existing product from home furnishing customer

Industrial (revenue up 23% YoY, 9% mix)

- Business confirmation received for 1) seven new products on Power Tools, and 2) new knobs from an Appliance customer

Consumer Electronics

- Manufacturing high critical products; started commercial supply in small batches
- Confirmation from a new logo for five new products; supply likely from 4Q27.
- Margin is expected to be better than consumer and industrial segment.

Semiconductor

- Started supplying specialized trays from existing facility, having volume requirement in millions.
- Revenue is likely to accrue from 4Q27.

2QFY27 result highlights

- Revenue/EBITDA/PAT grew 24%/22%/20% YoY (4-8% beat).
- Gross margin (60%) and EBITDA margin (30.4%) expanded QoQ.
- Revenue growth was led by the Healthcare segment (up 78% YoY, 55% mix).
- Consumer segment revenue (down 14% YoY) continued to be impacted by weak demand in Europe and USA.
- The company generated healthy OCF in 1HFY27.

Story in charts

Exhibit 1: Geography revenue mix (2QFY27)

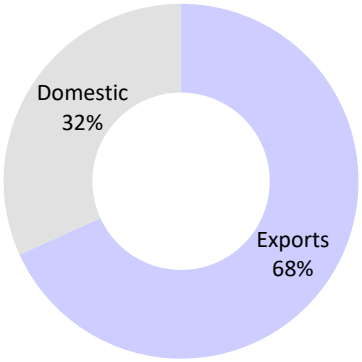


Exhibit 2: Segment revenue mix (2QFY27)

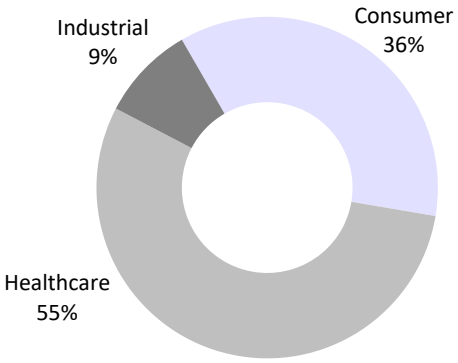


Exhibit 3: Quarterly revenue and growth trends

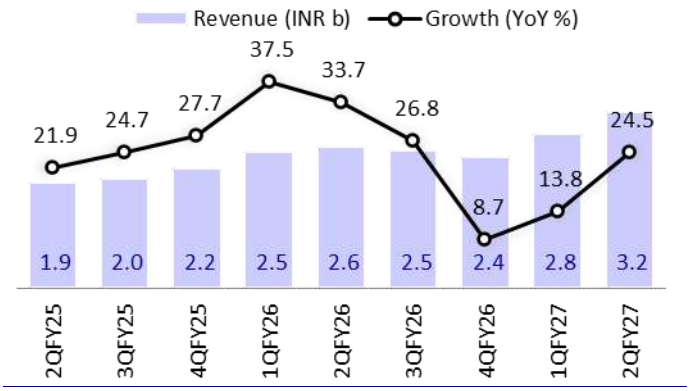


Exhibit 4: Expenses as % of quarterly revenue

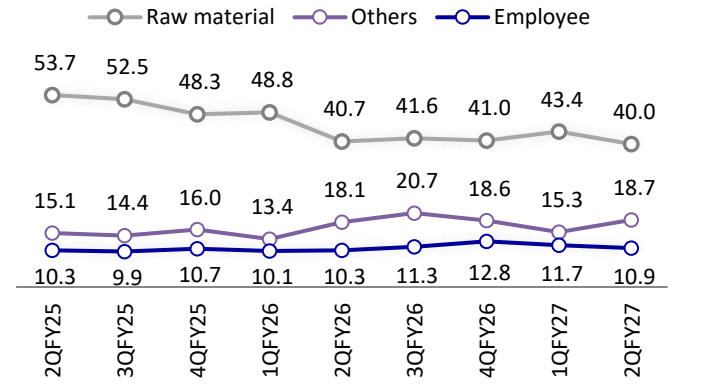


Exhibit 5: Quarterly EBITDA and Adj. PAT trends

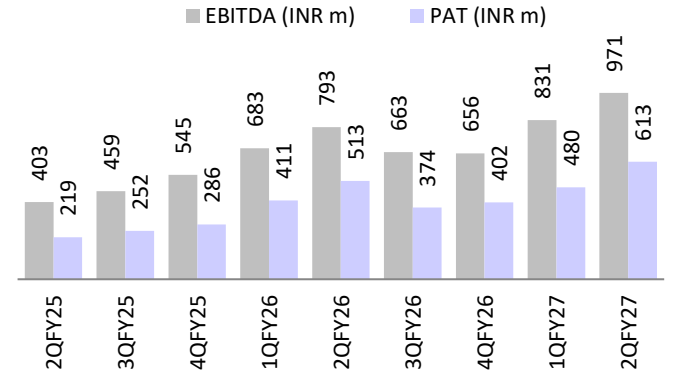


Exhibit 6: Quarterly EBITDA, PAT margins trends

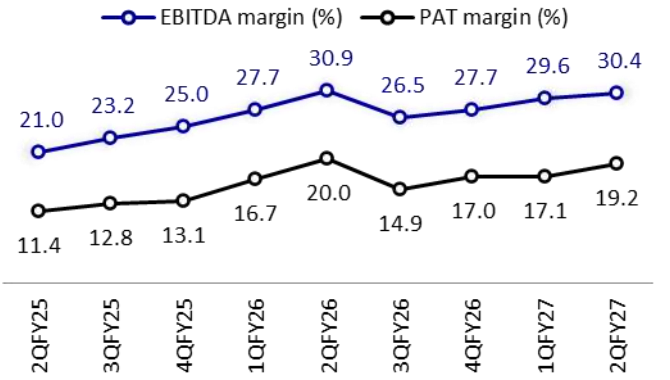


Exhibit 7: Consolidated annual revenue and growth trends

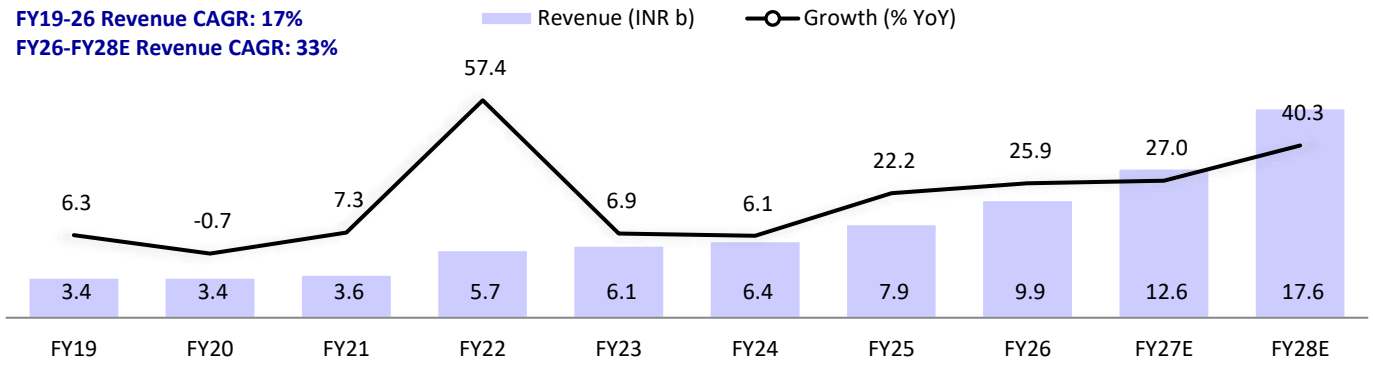
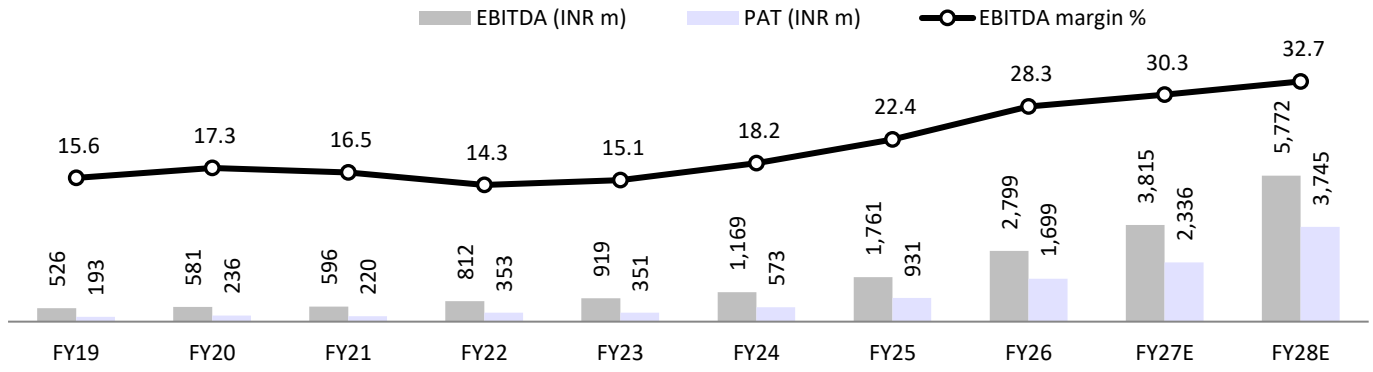


Exhibit 8: Annual EBITDA, PAT, and margin trends



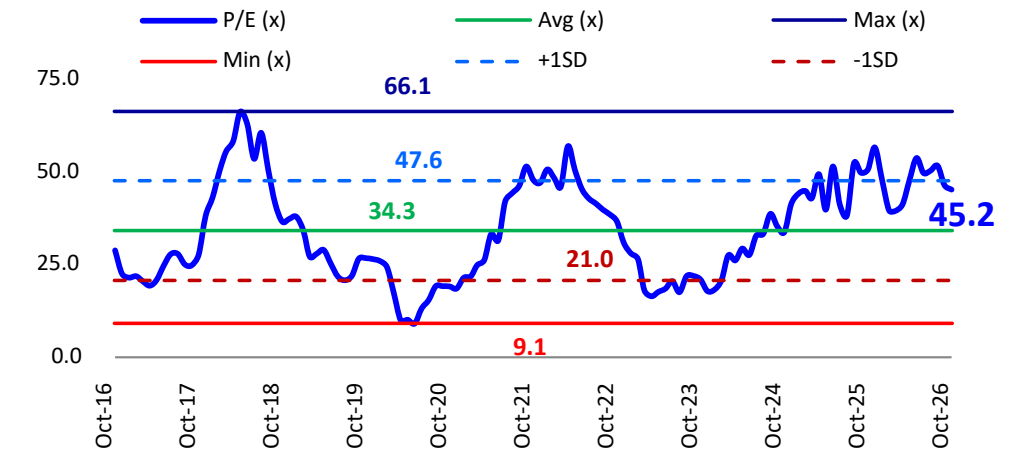
Source: Company, MOFSL

Exhibit 9: Changes to our estimates

INR m	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	12,561	17,637	12,577	17,645	0	0
EBITDA	3,796	5,771	3,815	5,772	1	0
EBITDA margin %	*30.2*	*32.7*	*30.3*	*32.7*		
PAT	2,323	3,745	2,336	3,745	1	0
EPS	50.5	81.5	50.8	81.5	1	0

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**	**12,577**	**17,645**
Change (%)	7.3	57.4	6.9	6.1	22.2	25.9	27.0	40.3
RM Cost	2,153	3,575	3,865	3,701	4,158	4,262	5,125	6,948
Gross Profit	**1,453**	**2,102**	**2,206**	**2,738**	**3,710**	**5,645**	**7,452**	**10,697**
Employees Cost	342	433	479	573	804	1,097	1,402	1,879
Other Expenses	516	857	808	995	1,145	1,749	2,234	3,046
Total Expenditure	**3,010**	**4,865**	**5,152**	**5,269**	**6,107**	**7,107**	**8,762**	**11,873**
% of Sales	83.5	85.7	84.9	81.8	77.6	71.7	69.7	67.3
EBITDA	**596**	**812**	**919**	**1,169**	**1,761**	**2,799**	**3,815**	**5,772**
Margin (%)	16.5	14.3	15.1	18.2	22.4	28.3	30.3	32.7
Depreciation	195	265	333	357	422	492	584	723
EBIT	**400**	**547**	**586**	**813**	**1,339**	**2,307**	**3,231**	**5,048**
Int. and Finance Charges	127	169	179	179	169	159	113	141
Other Income	26	88	45	65	23	78	90	53
PBT bef. EO Exp.	**299**	**465**	**452**	**698**	**1,193**	**2,226**	**3,208**	**4,960**
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	**299**	**465**	**452**	**698**	**1,193**	**2,226**	**3,208**	**4,960**
Total Tax	79	113	101	126	262	527	872	1,215
Tax Rate (%)	26.3	24.2	22.2	18.0	21.9	23.7	27.2	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**	**2,336**	**3,745**
Adjusted PAT	**220**	**353**	**351**	**573**	**931**	**1,699**	**2,336**	**3,745**
Change (%)	-6.7	60.1	-0.3	63.0	62.5	82.5	37.5	60.3
Margin (%)	6.1	6.2	5.8	8.9	11.8	17.2	18.6	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	9,227	12,696
Net Worth	**1,819**	**3,670**	**4,014**	**4,592**	**5,477**	**7,167**	**9,319**	**12,788**
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**	**10,909**	**14,978**
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	3,537	4,261
Net Fixed Assets	**2,342**	**3,438**	**3,851**	**4,778**	**5,010**	**6,167**	**6,333**	**9,860**
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**	**5,954**	**8,037**
Inventory	669	1,114	730	836	1,378	1,508	2,067	2,900
Account Receivables	695	1,017	919	1,174	1,717	2,148	2,693	3,729
Cash and Bank Balance	29	471	230	264	231	252	113	293
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**	**2,666**	**3,207**
Account Payables	466	856	534	687	990	859	1,378	1,934
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**	**3,288**	**4,830**
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**	**10,909**	**14,978**

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**	**50.8**	**81.5**
Cash EPS	9.0	13.4	14.9	20.2	29.4	47.7	63.5	97.2
BV/Share	40	80	87	100	119	156	203	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	661.5	413.1	414.4	254.3	156.4	85.7	62.4	38.9
Cash P/E	350.6	235.7	212.8	156.7	107.7	66.5	49.9	32.6
P/BV	80.1	39.7	36.3	31.7	26.6	20.3	15.6	11.4
EV/Sales	41.0	25.9	24.3	22.9	18.7	14.9	11.7	8.4
EV/EBITDA	247.9	181.0	160.3	126.1	83.7	52.6	38.6	25.6
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	14.2	0.7
Return Ratios (%)								
RoE	12.1	9.6	8.8	12.5	17.0	23.7	25.1	29.3
RoCE (pre-tax)	12.8	13.7	11.2	14.0	19.4	29.3	33.5	39.4
RoIC (pre-tax)	13.9	14.8	12.3	14.9	20.0	30.0	36.5	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	29.3	36.1
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	3,208	4,960
Depreciation	195	265	333	357	422	492	584	723
Interest & Finance Charges	127	169	179	179	169	159	113	141
Direct Taxes Paid	-60	-64	-60	-88	-175	-494	-781	-1,124
(Inc)/Dec in WC	-326	-266	-6	-270	-483	-169	-634	-1,363
CF from Operations	**235**	**570**	**898**	**877**	**1,126**	**2,215**	**2,491**	**3,337**
Others	-11	-20	2	46	-25	43	-90	-53
CF from Operating incl EO	**225**	**550**	**900**	**923**	**1,101**	**2,257**	**2,401**	**3,284**
(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**	**651**	**34**
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	11	-84	107	12	8	5	90	53
CF from Investments	**-819**	**-1,291**	**-1,009**	**-938**	**-713**	**-1,847**	**-1,660**	**-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	-113	-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**	**-879**	**92**
Inc/Dec of Cash	**-61**	**341**	**-160**	**31**	**-31**	**17**	**-138**	**179**
Opening Balance	70	10	351	191	222	191	208	70
Other cash & cash equivalent	0	0	0	0	0	0	0	0
Closing Balance	**10**	**351**	**191**	**222**	**191**	**208**	**70**	**249**

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NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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