

Shaily reported Q1 results. While revenues and EBITDA de-grew 42.2% and 74.5% YoY, the company continued to remain EBITDA positive. EBITDAM was down 920bps YoY and 1170bps QoQ to 7.3%. Fall in revenues led to loss of Rs 30m v/s profit of Rs 47m in Q1FY20 and Rs 70m in previous quarter. Non healthcare operations were resumed at end of April. Total volumes stood at 1,815 MT, down 41% YoY and utilisation of 34% v/s 59% in Q1FY20. EBITDA/kg stood at Rs 18.8 down 57% YoY and 59.5% QoQ on back of lower utilisation and lower absorption of fixed cost.

On the positive side, SHEP has received new business confirmations during Q1 across segments. They bagged 3 projects from a new client in Toys (already signed up with 1 customer last year) with total business value of USD6m/year (FY22). Once supplies to them are stabilized the company will look at adding more clients. Additional business of Rs 600m awarded by the SHF customer for 9 SKUs. Supplies for both these products will start from Q4FY21. Trial runs for carbon steel furniture have started; commercial supplies will begin from Q2 and then ramped up thereafter. We feel it can contribute ~Rs 300m to revenues in FY21. Company expects revenue from steel business furniture to touch ~Rs 1.3bn by FY23E. Large supplies of CRC caps was done in Q1 and will continue in Q2. They also finalised a contract for development and supply of pens (Shaily's IP) with a global pharma customer for the US market. They also bagged an order from Garrett Motion (Auto) which will be commercialized in FY22. All these new orders will require capex of Rs 200-220m.

Management expects recovery from H2FY21 supported by macro tailwinds along with margin expansion on back of better product mix and operational efficiency. FY21 will see the start of contribution from CSF, CRC and toys and will be further ramped up in FY22. Further FY22 will also witness revenues from medical devices and auto contracts. We maintain our forecasts of revenue/ EBITDA/PAT CAGR (FY20-22) of 19.6%/19.1%/25.2% to Rs 4805m/Rs 824m/ Rs370m in FY22E. Going ahead, healthcare will be an area of focus and likely to see 2-3x growth in next 3-5 years (based on ongoing discussions and orders in hand) making it the second highest revenue contributor after HF (~55%). **We feel this justifies a higher target multiple of 12x (7x previously) thereby arriving at a revised TP of Rs 533. Maintain Accumulate.**

Key financials (Y/e March)	2019	2020	2021E	2022E
Revenues (Rs m)	3,383	3,360	3,696	4,805
Growth (%)	6.3	(0.7)	10.0	30.0
EBITDA (Rs m)	526	581	624	824
PAT (Rs m)	193	236	228	370
EPS (Rs)	23.2	28.4	27.4	44.5
Growth (%)	(19.0)	22.4	(3.4)	62.3
CEPS (Rs)	41.1	49.9	56.0	75.2
Net DPS (Rs)	-	-	-	-
Profitability & Valuation	2019	2020	2021E	2022E
EBITDA margin (%)	15.6	17.3	16.9	17.2
RoE (%)	14.8	16.0	13.3	18.4
RoCE (%)	14.7	14.6	12.1	16.9
EV / sales (x)	1.0	1.0	1.3	1.0
EV / EBITDA (x)	6.2	5.7	7.7	5.6
PE (x)	11.5	9.4	16.9	10.4
P / BV (x)	1.6	1.4	2.1	1.8
Net dividend yield (%)	-	-	-	-

Source: Company Data, PL Research

Q1FY21 Result Update

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Rating	ACCUMULATE
Price	Rs 462
Target Price	Rs 533
Implied Upside	15.4%
Sensex	38,182
Nifty	11,270
Bloomberg Code	SHEP IN
Reuters Code	SEP.BO

(Prices as on August 10, 2020)

Tracking Data

Market Cap (Rs bn)	3.9
Shares O/s (m)	8.3
3M Avg. Daily Value (Rs m)	2.7

Major Shareholders

Promoters	51.1%
Institutional	16.0%
Public & Others	33.0%

Stock Performance

(%)	1M	6M	12M
Absolute	6.7	(19.8)	(18.7)
Relative	2.6	(13.0)	(19.7)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2021E	27.4	-	N.A.
2022E	44.5	-	N.A.

Price Chart



Q1FY21 Result Overview (Rs m)					
Y/e March	Q1 '21	Q1 '20	YoY gr. (%)	Q4 '20	QoQ gr. (%)
Net Revenue	466	806	(42.2)	796	(41.5)
Expenditure					
Raw Material Cost	279	486	(42.6)	439	(36.5)
<i>% of revenue</i>	<i>59.8</i>	<i>60.3%</i>		<i>55.1</i>	
Employee Cost	70	61	14.4	69	1.0
<i>% of revenue</i>	<i>15.1</i>	<i>7.6%</i>		<i>8.7</i>	
Other Expense	83	125	(33.7)	136	(39.0)
<i>% of revenue</i>	<i>17.8</i>	<i>15.6%</i>		<i>17.1</i>	
Total Expenditure	432	672	(35.8)	645	(33.0)
EBITDA	34	134	(74.5)	152	(77.5)
<i>Margin (%)</i>	<i>7.3</i>	<i>16.6%</i>		<i>19.0</i>	
Depr. & Amortization	45	42	7.4	47	(3.3)
EBIT	107	91	16.9	105	2.0
Net Interest	30	27	11.0	28	7.1
Other Income	0	1	(39.4)	-2	(123.7)
Profit before Tax	(40)	66	(161.2)	75	(153.2)
Total Tax	(10)	18	(154.2)	6	(267.8)
<i>Effective tax rate (%)</i>	<i>24.8</i>	<i>28.0%</i>		<i>7.9</i>	
Profit after Tax	(30)	47	(163.9)	70	(143.5)
<i>PAT Margin (%)</i>	<i>-6.5</i>	<i>5.9%</i>		<i>8.7</i>	
Adjusted PAT	(30)	47	(163.9)	70	(143.5)
EPS	(3.6)	5.7	(163.9)	8.4	(143.5)

Source: Company Data, Idea Research

Q1FY21 Operational Metrics				
Y/e March	Q1 '21	Q1'20	YoY gr. (%)	Q4 '20
Volumes (MTPA)	1,815	3,049	(40.5)	3,267
Capacity Utilizations (%)	34.0	58.7		65.0

Source: Company Data, Idea Research

Income Statement (Rs m)

Y/e March	2019	2020	2021E	2022E
Net Revenue	3,383	3,360	3,696	4,805
Raw Material Expenses	2,097	1,979	2,181	2,830
Gross Profit	1,287	1,381	1,516	1,975
Employee Cost	247	260	286	363
Other Expenses	514	541	606	788
EBITDA	526	581	624	824
Depr. & Amortization	149	179	238	256
Net Interest	95	105	91	84
Other Income	18	10	10	10
Profit before Tax	300	307	305	494
Total Tax	107	71	77	125
Profit after Tax	193	236	228	370
Ex-Od items / Min. Int.	-	-	-	-
Adj. PAT	193	236	228	370
Avg. Shares O/S (m)	8.3	8.3	8.3	8.3
EPS (Rs.)	23.2	28.4	27.4	44.5

Cash Flow Abstract (Rs m)

Y/e March	2019	2020	2021E	2022E
C/F from Operations	516	644	403	460
C/F from Investing	(498)	(700)	(120)	(200)
C/F from Financing	(36)	136	(181)	(174)
Inc. / Dec. in Cash	(19)	80	102	87
Opening Cash	37	18	98	200
Closing Cash	18	98	200	287
FCFF	18	(56)	283	260

Key Financial Metrics

Y/e March	2019	2020	2021E	2022E
Growth				
Revenue (%)	6.3	(0.7)	10.0	30.0
EBITDA (%)	(1.0)	10.4	7.4	32.1
PAT (%)	(19.0)	22.4	(3.4)	62.3
EPS (%)	(19.0)	22.4	(3.4)	62.3
Profitability				
EBITDA Margin (%)	15.6	17.3	16.9	17.2
PAT Margin (%)	5.7	7.0	6.2	7.7
RoCE (%)	14.7	14.6	12.1	16.9
RoE (%)	14.8	16.0	13.3	18.4
Balance Sheet				
Net Debt : Equity	0.8	0.7	0.5	0.3
Net Working Cap. (days)	53.5	25.5	51.0	51.0
Valuation				
PER (x)	11.5	9.4	16.9	10.4
P / B (x)	1.6	1.4	2.1	1.8
EV / EBITDA (x)	6.2	5.7	7.7	5.6
EV / Sales (x)	1.0	1.0	1.3	1.0
Earnings Quality				
Eff. Tax Rate	35.6	23.2	25.2	25.2
Other Inc / PBT	0.1	0.0	0.0	0.0
Eff. Depr. Rate (%)	8.0	8.3	9.0	9.0

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2019	2020	2021E	2022E
Non-Current Assets	1,753	2,209	2,078	2,063
Net fixed assets	1,440	1,549	1,803	1,747
Capital Work In Progress	27	372	-	-
Intangible Assets	10	21	21	21
Intangible Assets under develop	22	88	98	108
Non-Current investment	2	2	2	2
Other Non-Current Assets	56	-	-	-
Loans	2	5	-	-
Income Tax Assets	19	32	-	-
Other Non-current assets	174	140	153	184
Current Assets	1,363	1,606	1,750	2,271
Inventories	431	497	462	601
Trade receivables	596	610	647	841
Cash & Bank Balance	5	70	200	287
Bank balances other than above	13	28	-	-
Loans	1	2	2	2
Other financial assets	153	139	166	200
Other Current Assets	164	260	273	341
Current Tax Assets	-	-	-	-
Total Assets	3,116	3,815	3,828	4,333

Equity

Equity Share Capital	83	83	83	83
Other Equity	1,278	1,511	1,739	2,108
Total Networkth	1,361	1,594	1,822	2,192
Non-Current Liabilities	572	813	674	436
Long Term borrowings	472	721	581	341
Provisions	12	15	15	15
Deferred tax liabilities	80	73	73	73
Other non-current liabilities	8	4	5	7
Current Liabilities	1,182	1,408	1,332	1,706
Short term borrowings	511	506	556	706
Trade payables	325	512	345	448
Other financial liabilities	261	246	271	352
Short term provisions	6	7	9	11
Other current liabilities	80	138	152	190
Current Tax liabilities	-	-	-	-
Total Equity & Liabilities	3,116	3,815	3,828	4,333

Quarterly Financials (Rs m)

Y/e March	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	876	883	796	466
EBITDA	144	152	152	34
% of revenue	16.4	17.2	19.0	7.3
Depr. & Amortization	45	45	47	45
Net Interest	27	23	28	30
Other Income	8	3	7	0
Profit before Tax	79	87	75	(40)
Total Tax	24	24	6	(10)
Profit after Tax	56	63	70	(30)

Source: Company Data, PL Research.

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