

Shilchar Tech.

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to Shilchar Technologies Ltd. Q1 FY27 earnings conference call hosted by TIL Advisors. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanyam Pokharna from TIL Advisors. Thank you, and over to you, sir.

Sanyam Pokharna – TIL Advisors: Thank you, Neerav. Welcome, everyone. Good afternoon, and thank you for taking the time to join us today for the Q1 FY27 earnings conference call of Shilchar Technologies Ltd. The investor updates, including the investor presentation, have already been uploaded to the stock exchanges and the company website. To take us through today's results, we have with us from the management team Mr. Alay Shah, Managing Director, and Mr. Prajesh Purohit, Chief Financial Officer. We will start with brief opening remarks on the quarterly performance by Mr. Alay Shah, followed by a Q&A session.

I would like to remind you that anything and everything said on this call that represents any outlook for the future, or that can be construed as a forward-looking statement, must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been mentioned in our annual reports. Over to you, sir.

Alay Shah – MD: Thank you, Sanyam. Good afternoon, everyone, and thank you for joining us today. Before we open the floor for questions, I would like to walk you through our performance for Q1 FY27 and share some updates on our operations and ongoing projects.

For Q1 FY27, Shilchar Technologies Ltd. reported revenue from operations of Rs.134.60 crores, and EBITDA for the quarter stood at Rs.29.23 crores. Profit after tax stood at Rs.20.86 crores. As you can see, FY27 has commenced on a softer note.

The quarter was shaped largely by the continuing effect of the crisis in West Asia, which affected our Middle East exports directly and, through a sudden increase in the prices of certain raw materials, affected our domestic business as well.

First, on the export front, the recovery has taken longer than we had originally expected at the time of our Q4 call, primarily on account of a persistent increase in shipping costs through the first quarter. Container costs have risen 3–5 times for certain geographies compared to levels before the crisis. This has materially increased the landed cost for our customers and has led to a slower pickup in export dispatches.

The increase in shipping costs is not limited to the Middle East. Costs to North America have also risen significantly on account of ongoing geopolitical uncertainty. I would like to emphasize that this is a cost and logistics issue, and not a demand issue. While most of our export terms are ex-works, there has been a significant increase in the procurement cost for our customers, which has resulted in the deferment of orders.

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Underlying customer demand in both regions remains firm, but customers are currently lifting the bare minimum volume they need.

On the domestic front, passing on the sudden escalation in commodity prices for existing orders arising from the West Asia crisis has taken longer than anticipated. Negotiations with customers extended through much of the quarter, which resulted in slower dispatches in Q1. The situation was more severe in April and May and has eased in recent months.

The profitability margins for the quarter reflected both of these factors: a lower export mix and the partial pass-through of higher raw material prices.

Alay Shah – MD: On the domestic front, passing on the sudden escalation in commodity prices for existing orders arising from the West Asia crisis has taken longer than anticipated. Negotiations with customers extended through much of the quarter, which resulted in slower dispatches in Q1. The situation was more severe in April and May and has eased in recent months. Profitability margins for the quarter reflect both of these factors: a lower export mix and the partial pass-through of higher raw material prices.

Looking ahead, we expect overall business momentum to be notably better in Q2 compared to Q1. While exports may continue to see some impact from elevated shipping costs if the situation in West Asia remains unchanged, we have better visibility on the domestic side, which should support our top line.

Our capex project, Expansion Phase III, which will add approximately 6,500 MVA of capacity, remains on track for commissioning in April 2027. Civil foundation work has been completed, PEB erection and utility infrastructure work are progressing well, and all equipment has been ordered.

Our annual outlook remains unchanged for FY27. We expect to operate our existing 7,500 MVA capacity at almost full utilization, and the new facility will drive the next leg of growth from FY28 onwards. We remain on track with our revenue ambition for the year, although the geographic mix may change if the situation in West Asia persists.

Demand across our key domestic and export markets remains strong, and our overall business outlook continues to be robust. Thank you all. We can now open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Operator: We will wait for a moment while the question queue assembles. Participants, you may press star and one to ask a question. The first question is from the line of Venil Shah from Dalal and Broacha. Please go ahead.

Venil Shah – Dalal and Broacha: Good afternoon, and thank you for taking the question. I wanted to know whether the management could quantify the revenue loss for Q1 FY27 due to the shipment delays. Also, what is our revenue run rate for this year? We are well into this year, so we would like

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to know whether the management would like to revisit its guidance of 800 crores of revenue.

Venil Shah – Dalal and Broacha: I wanted to know whether the management could quantify the revenue loss for Q1 FY27 due to the shipment delays. Also, what is our revenue run rate for this year? We are well into this year, so we would like to know whether the management would like to revisit its guidance of 800 crores of revenue.

Management: No. As I said in my opening remarks, for FY27, we are on [inaudible] what we have projected in terms of the [inaudible].

Management: Sorry, I think there was some problem with the network. As I said once again, for FY27, we are on track with whatever we have targeted in terms of the top line. We do not anticipate any problem in achieving that.

Venil Shah – Dalal and Broacha: Also, could you quantify the revenue loss for this quarter due to the shipment delays?

Management: I would not like to describe it as a revenue loss, but we could have done approximately {? 30–35 crores ?} worth of revenue if this crisis had not taken place.

Venil Shah – Dalal and Broacha: My second question is related to our margins. Could you comment on the price revision undertaken in this quarter and how much of the raw material cost increase we have been able to pass on to customers? We see significant pressure on gross margins for the last 2 quarters.

Management: Whatever orders we had during Q1, which were to be executed in Q4 and Q1, we could pass on approximately 50–60% of the price rise to the customer. However, whatever we are executing now is all at the current market price. Therefore, we do not expect any problem in achieving the EBITDA.

Venil Shah – Dalal and Broacha: Thank you very much. I will join the queue again.

Operator: Thank you. I request all participants to kindly limit themselves to 2 questions per participant. The next question is from the line of Aardesh Gosalia from Spark Capital. Please go ahead.

Aardesh Gosalia – Spark Capital: I hope I am audible, and thank you for the opportunity. My first question is regarding the geographic split. Could you share some numbers on how much revenue came from exports and how much came from the domestic market? Going ahead for FY27, or for the next 1 or 2 quarters, what visibility do we currently have from an order book perspective regarding the geographic split? How much is from the export markets and how much is from the domestic market? Could you also share the order book number?

Management: We have an order book of almost 500 crores as of today. This is over and above whatever we have already shipped out until yesterday. We have a very strong order book, and a lot of new inquiries are on hand, for which we are negotiating. We expect more orders in the coming days.

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As I said in my opening remarks, the geographic mix may change depending on the present situation. If the Middle East situation improves and shipping costs come down, I think we will return to our normal level of exports, as we were doing earlier.

Aardesh Gosalia – Spark Capital: As you said, the order book currently stands at around 500 crores. Could you share the split of that order book between domestic and export orders?

Management: I would say it is currently approximately 30% export and 70% domestic.

Aardesh Gosalia – Spark Capital: As you are saying, the geographic mix going forward is going to shift, what are the new markets that you are targeting, and how are you looking at them? Or, as of now, are we only focusing on the domestic markets?

Management: Overall, we export everywhere—North America, the Middle East, and somewhat to Africa as well. However, to compensate for these problems, we are concentrating on the domestic market and obtaining more orders from local customers.

Operator: Thank you. Aardesh, I request you to come back for a follow-up question. Participants, kindly limit themselves to 2 questions per participant and rejoin for a follow-up. The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar – Aurum Capital: Good afternoon. First of all, I would like to acknowledge the management. Following the change in fortunes in capital goods and transformers, the management has performed exceedingly well and really took advantage of the cycle.

My question is specific to margins. You have maintained the annual guidance for revenue. What about margins? Are we still looking at EBITDA margins of around 13%, which we have historically provided guidance for, or will there be some impact?

My second question is whether you can provide more detail on the expansion we are undertaking. We are also moving into 220 kV. Will that be a lower-margin business, or can we expect to have the same margins there as well?

Management: As I said earlier, if the situation becomes normal and our exports come back online as in previous years, we are confident that we will be able to maintain the same profitability that we achieved in previous years. However, if that does not happen and we become more reliant on the local market, then there will be a slight dip in profitability.

It depends on how the geopolitical situation develops going forward. Regarding the new project, everything is on track. Construction is going on in full swing. All the machinery and equipment have been ordered, and we are all set to start production from April 2027. We do not anticipate any delay. In fact, we may complete the project slightly earlier than projected.

Initially, as we are new to the market, our margins will be lower, mainly to create references and penetrate the market. Going forward, we will again follow the same policy under which we will not do any business with state utility companies. We will concentrate more on the export market once we have sufficient references within the domestic market.

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Initially, there will be lower profitability, but going forward, we anticipate better margins.

Jiten Parmar – Aurum Capital: My final question is about our movement into a slightly higher class of transformers. Are there any future plans? I know this expansion is underway, and obviously it will be funded through internal accruals. Since we have a lot of land in Gavasad, has any thought been given to what we want to do next after this expansion is completed?

Management: We have purchased approximately 4.5 acres of additional land next to our existing land. It shares a common wall with our land. We are planning further expansion in that particular area.

I would not like to say anything about the type of product, the kV class, or the capacity, but we are working on it. Once this expansion is completed or nearing completion, we will definitely plan something additional.

Jiten Parmar – Aurum Capital: Thank you so much. If I have further questions, I will join the queue. Thank you.

Management: Thank you.

Operator: Thank you. Participants, you may press star and one to ask a question. The next question is from the line of Aman Soni from Seven Alpha Investors. Please go ahead.

Aman Soni – Seven Alpha Investors: Good afternoon.

Aman Soni – Seven Alpha Investors: In our FY26 annual report, which was released in mid-July, we highlighted a recovery from April onwards and were very positive in our comments regarding Q1, which had already passed by then.

The recent quarterly presentation indicates that the recovery in exports has taken longer than expected due to persistently higher shipping costs during Q1. Could management quantify the impact of the West Asia crisis and elevated freight costs on export revenue in FY27? If that was the situation, why did we present it differently in the annual report?

Management: I am sorry, I am not able to understand your question properly. However, 90% of our export orders are based on Ex-Works, so the shipping cost is not on our account. If it increases, we do not pay anything from our side, and it does not reduce our margin.

At the same time, from the customer's point of view, when they buy our product and have to pay higher shipping costs, it becomes expensive for them. Because of this war-like situation in the Middle East, all the customers are proceeding very cautiously. They are buying only the absolute minimum quantity they need and are not stocking anything.

Of course, this has affected our business. Nobody expected that this Middle East crisis would continue for such a long period, but it has. That has continued to affect our Q1. We are hopeful that the situation ends soon and everything becomes normal.

Operator: Thank you. Aman, I request you to come back for a follow-up. The next question is from the line of Salil Desai from Capital Investment Managers. Please go ahead.

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Salil Desai – Capital Investment Managers: Quick question on capacity utilization. Where are we in our current journey toward full utilization? What would have been the average utilization in Q1?

Management: As I said in my opening remarks, we are planning to utilize close to 100% of our capacity for FY26–27.

Salil Desai – Capital Investment Managers: I was asking specifically about Q1. How far are you from 100%? Are you already at 80%, 90%, or 100%?

Management: In Q1, I think we achieved only around 60–65% capacity utilization.

Salil Desai – Capital Investment Managers: Understood. I wanted to follow up on the question from the previous participant. Your annual report mentioned that things were normalizing, and the annual report was released in July. However, this quarter seems to have been somewhat unexpected from a dispatch perspective. What is the difference, and what changed between what you thought the situation would be when you prepared the annual report and what actually happened?

Management: The annual report was prepared sometime in early June, after which it went for printing and was circulated in July. In June, we felt that the Middle East crisis would end soon. There were a few announcements by the concerned parties and countries that the war was ending and that MOUs were being signed. That was the reason we made those comments. Unfortunately, that did not happen.

Salil Desai – Capital Investment Managers: I think all of us were taken by surprise by that. That is all. Thank you so much.

Management: All right. Thank you.

Operator: Thank you. The next question is from the line of Abhi Jain from HA Capital. Please go ahead.

Abhi Jain – HA Capital: My question is regarding the previous discussion. Last time, I had checked with you about why we were not able to ship our products from the Middle East to the domestic market because there was a lot of demand in the domestic market. You had said that the orders were already in the pipeline and had already been placed, and it was very difficult to make that change within a quarter.

However, when we started in April, we had already anticipated the situation, and everyone could see what was happening. I want to understand why we did not proactively try to address the domestic demand and why we continued to focus on obtaining orders from the Middle East.

I see that we have lost out on 2 fronts in this quarter. First, our capacities have been underutilized. Second, when we shift to the domestic market, margins take a hit. In our case, both have happened. Margins have taken a hit, and we were not able to ship to our potential or utilize our capacity to the maximum in Q1.

Can you help me understand why management did not proactively shift the demand or order base from the Middle East market to the domestic market? If you look at your other competitors that are

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focused on the domestic market, they have been thriving, and their Q1 numbers have been strong. We took a margin hit and also had reduced offtake of our orders in this quarter.

Management: We anticipated that shipping would take place normally from April onwards, and it did actually start in a normal way in April. However, from the end of April and during May, shipping costs suddenly increased drastically. That halted our exports.

The transformers we manufacture are all custom-made transformers. We took proactive action immediately and shifted our focus from exports to the domestic market. However, it takes time to obtain orders, and it then takes time to execute them. That process had already started, and we are seeing the results in Q2.

These are not off-the-shelf products that we can ship immediately after receiving an order. These are all custom-made products, so they require a minimum lead time of approximately 10–12 weeks, or even 16 weeks. We did take prompt action in shifting our focus from exports to the domestic market.

Abhi Jain – HA Capital: That was also the discussion last quarter. Considering what was already in progress, I think it would have been better to maximize our capacity utilization. Nevertheless, all the best for the future. Thank you.

Management: Thank you.

Operator: Thank you. Participants, kindly limit themselves to 2 questions per participant. The next question is from the line of Aditya Dayal from Zeeva Consultants. Please go ahead.

Aditya Dayal – Zeeva Consultants: I had one question. The capacity that is going to come in April 2027—will the product prototyping and all those activities take additional time, or are they already included, so that revenue from the new capacity will be visible after April 2027?

Management: I have mentioned earlier, including on my previous call, that once the facility is ready for production, we will start producing the transformers that we are currently manufacturing. Then we will start marketing the larger-size products, not slowly but aggressively.

However, customer audits, the approval process, and type testing all take time. Therefore, orders for larger-capacity transformers will come somewhat later, but production capacity will be utilized by producing our existing range of transformers.

Aditya Dayal – Zeeva Consultants: Do you have any timeframe for when the prototyping for the larger transformers will be completed?

Management: Once we start production, it will take approximately 3–4 months.

Aditya Dayal – Zeeva Consultants: Have you currently received any orders for the larger transformers, or any requests or inquiries regarding them?

Management: Yes, we are already discussing larger transformers with a few customers.

Aditya Dayal – Zeeva Consultants: Thank you.

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Operator: Thank you. The next question is from the line of Komal Iyer from NBG Investments. Please go ahead.

Komal Iyer – NBG Investments: Good evening, sir. Do you think there is pressure on domestic transformer prices since exports are not happening? Are you experiencing pressure in the domestic transformer market for the lower kV range?

Management: No, there is no pressure on lower margins or anything else in the domestic market. The domestic market is normal, as it was 2 years ago and last year. The same thing is happening right now as well. There is no change.

Komal Iyer – NBG Investments: What kind of product mix are you expecting for the 800 crores of revenue that you mentioned? How much will be domestic and how much will be export?

Management: It is difficult to say right now. However, based on the current situation, domestic sales will be higher than exports. If the situation changes, our focus will also shift from domestic to exports.

Komal Iyer – NBG Investments: No, that is all. Thank you.

Operator: Thank you. Participants, you may press star and one to ask a question. The next question is from the line of Sahil Mehta, individual investor. Please go ahead.

Sahil Mehta: Thank you for taking my question. I wanted to know the revenue breakup between exports and domestic sales for this quarter and for Q1 FY26.

Management: I will ask my CFO to send that to you. If you contact us by email, we will provide these details to you.

Sahil Mehta: Thank you. I have one more question. I want to ask about the inventory days and receivable days for Q1 FY27.

Management: We can also provide that information by email.

Sahil Mehta: Thank you very much. All the best.

Management: All right. Thank you.

Operator: Thank you. The next question is from the line of Ritesh Khanna, individual investor. Please go ahead.

Ritesh Khanna: Thank you for taking my question. What gives you the confidence that we will not permanently lose the export revenue, considering that we are not able to service the requirements of our clients in this demand-led scenario? That would be my first question.

Management: We are very confident because it is not that our product is expensive or that the customer has a cheaper source somewhere else. If the situation becomes normal, we are very competitive. Customers prefer us because of our quality, service, and shorter lead time.

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Once the situation becomes normal, we will get that business back for sure. It is not that customers are currently buying from somewhere else. They are simply not purchasing and are taking a very cautious approach because of the significant uncertainty.

Ritesh Khanna: My second question is regarding the margin difference between domestic and international customers on a consolidated EBITDA basis.

Management: Again, it is difficult to say because our product is based on a project-by-project basis. However, I would say that the difference is approximately 10% in exports.

Ritesh Khanna: Now that Q1 is behind us, I wanted to understand what the offtake has been over the last 1.5 months or so.

Management: I cannot tell you that figure, but as I said, we are on track to achieve the target that we have projected for FY27-28. We will mostly be utilizing 100% of our capacity.

Ritesh Khanna: Thank you for taking my question. That would be all.

Management: All right. Thank you.

Operator: Thank you. The next follow-up question is from the line of Aardesh Gosalia from Spark Capital advisors. Please go ahead.

Aardesh Gosalia – Spark Capital: Thank you for the opportunity again. Continuing with my previous question, you said that the order book currently stands at around 500 crores, comprising 70% domestic orders and 30% export orders.

First, what is the visibility in terms of the execution timeline? Over how long will this order book be executed? Also, what kind of margin are you expecting, given that it is more concentrated in domestic orders? I am referring only to the orders currently in hand. What kind of margin profile do they carry?

Management: These orders are mostly for Q2 and Q3, and some of them are also for Q4. As I said earlier, we are expecting more orders, which will again be for Q3 and Q4. We are fully booked for Q2.

As I said earlier, approximately 30% is export and 70% is domestic. However, if the situation becomes normal, we will receive more export orders as well.

Aardesh Gosalia – Spark Capital: I was asking about the order book currently in hand. What margin do you expect from it? What is the margin visibility specifically for the 500 crore order book? Since it is more domestically oriented, there should be some visibility regarding the pricing quoted and the margins that will be generated.

Our previous usual mix was 50-50 between domestic and export orders, which is why our margins were so high. Since the mix is now changing, there should be some visibility on the margin front.

Management: We do have visibility, but it is very difficult to express it in percentage terms. These orders are at current raw material prices, so they are good orders with fairly good and reasonable

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margins.

Aardesh Gosalia – Spark Capital: Should we assume that Q1 margins will continue in Q2 and Q3, or will they be higher than that?

Management: They will be higher. We hope to achieve higher EBITDA.

Aardesh Gosalia – Spark Capital: On the production front, what was the utilization? Can you quantify how much we produced in Q1?

Management: I think I mentioned earlier, in response to one of the questions, that we utilized approximately 60–65% of our production capacity in Q1.

Operator: Thank you. Aardesh, I request you to come back for a follow-up. Participants, please limit yourselves to 2 questions per participant and rejoin. The next question is from the line of Harsh Singh from Sameeksha Capital. Please go ahead.

Harsh Singh – Sameeksha Capital: Thank you for taking my question. Firstly, on the export side, sir, is it possible for you to tell us—

Harsh Singh – Sameeksha Capital: Firstly, beyond the Middle East, have you seen any issues in exporting to any other geographies that you export to? Could you also provide the percentage breakdown of exports across geographies?

Management: As I said earlier, overall shipping costs have increased for all geographies. We export to North America, Africa, and the Middle East. Because of the shipping costs, everything overall has been affected.

Harsh Singh – Sameeksha Capital: Understood. No other questions from my side. Thank you for the clarity.

Operator: Thank you. The next question is from the line of Abdul Fateh from True Beacon Investments. Please go ahead.

Abdul Fateh – True Beacon Investments: I was looking at your order book of 500 crores. Assuming that you are not able to service these orders because of the shipping costs, what are the chances that these orders may be cancelled and that these customers may make an alternative arrangement to source the products from somewhere else?

Management: As I said, out of the 500 crores, approximately 70% is local and 30% is export. No orders are being cancelled. They are simply being pushed out. Delivery may be delayed, but otherwise there is no cancellation. Since our products are custom-based, cancellations do not take place.

Abdul Fateh – True Beacon Investments: Thank you. That was my question. Thank you very much.

Operator: Thank you. The next question is from the line of Rakesh, an individual investor. Please go ahead.

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Rakesh – Individual Investor: I wanted to understand the margin issue. How exactly does it work? Were some of the overseas orders cancelled, which is why the margins declined so drastically, or was it because of the raw material costs for overseas customers? I wanted to understand exactly how it works.

Management: Which customer? Sorry, I am not able to understand.

Rakesh – Individual Investor: By overseas customers, I mean non-India customers. I wanted to understand why there was such a significant decline in margins. Was it because of order cancellations, or because raw material prices increased?

Management: It is because shipments did not take place due to the higher shipping costs.

Rakesh – Individual Investor: Does that mean the orders were cancelled?

Management: No, they were not cancelled. They were simply pushed out.

Rakesh – Individual Investor: When you say pushed out, does that mean they will be brought back, or how should we understand it?

Management: There is a delay in the delivery date. Instead of taking delivery in June, they will take delivery in July or August, or at some similar later date.

Rakesh – Individual Investor: Thank you, sir.

Operator: Thank you. The next follow-up question is from the line of Venil Shah from Dalal and Broacha. Please go ahead.

Venil Shah – Dalal and Broacha: Thank you for taking my question again. I wanted to understand whether my interpretation is correct. You explained that the 500 crore order book will be executed mainly across Q2 and Q3. Therefore, even if the situation improves, will the incremental new export orders that we receive be executed only in Q4? Am I correct in my understanding?

Management: No, it does not work that way. I said that the 500 crore order book comprises orders for Q2 and Q3, and some orders are also for Q4. This also includes export orders. If we receive more export orders, they will be executed according to the customer's delivery requirements.

Venil Shah – Dalal and Broacha: We would already have the current order timelines for the domestic front as well, right?

Management: We have the ability to manage the orders if we receive them.

Venil Shah – Dalal and Broacha: You already indicated that we are working at almost 100% capacity for Q2. That is where my confusion arises. Could you help me understand this?

Management: There is no confusion. We have the expertise to execute additional orders if we receive them at higher profit margins.

Venil Shah – Dalal and Broacha: Thank you very much.

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Operator: Thank you very much. Ladies and gentlemen, as there are no further questions, on behalf of Shilchar Technologies Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Management: Thank you.

Operator: Thank you, sir.

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