

Operator: As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions at the end of the presentation. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kashish Thakur from Elara Securities. Thank you, and over to you, sir.

Kashish Thakur – Elara Securities: Thank you, Manav. Good morning, everyone. This is Kashish Thakur from Elara Securities. We welcome all participants to Shalby Ltd.'s Q1 FY27 earnings call hosted by Elara Securities. Today, we have with us senior management representatives from Shalby Ltd. We will start the call with performance highlights from the Group CFO of Shalby Ltd., Mr. Amit Kumar, and Mr. Deepak Anand, Chief Executive Officer of Shalby MetTech. After that, we will open the floor for questions and answers from all participants. I will now hand over the call to Mr. Jigar Thorey for important disclaimers regarding any forward-looking statements that may be made today. Over to you, Jigar.

Jigar Thorey: Thanks, Kashish. Good morning, everyone. Our investor presentation has been uploaded on the stock exchange website and our company website, shalby.org. We hope you have already had the opportunity to go through the presentation. Please note that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide 2 of the investor presentation for a detailed disclaimer. Now, I would like to hand over the call to Group CFO Mr. Amit Kumar for his opening remarks. Thank you, and over to you, Amit.

Amit Kumar – Group CFO: Thank you, Jigar. Good morning, everyone. Welcome to the earnings call of Shalby Ltd. for Q1. I will walk you through the consolidated financial performance of the company for Q1 FY27. I will explain this performance in crores and on a year-on-year basis.

For Q1, the company delivered healthy improvement across all key financial parameters. Our consolidated revenue stood at 338.6 crores as against 303.4 crores in Q1 last year, representing strong growth of 11.6% year-on-year. EBITDA improved to 49 crores as against 48.5 crores in Q1 last year, reflecting growth of 1% year-on-year. Our EBITDA margin stood at 14.5% compared to 16% in the corresponding quarter. Consolidated PBT stood at 19.7 crores compared to 22.7 crores in Q1 last year, with a PBT margin of 5.8%. Consolidated PAT was higher at 10.5 crores, with a PAT margin of 3.1% in Q1, as against 7.7 crores, with a PAT margin of 2.5%, in Q1 FY26. The group continues to maintain a healthy balance sheet, with a comfortable gearing ratio of 0.4x and 0.46x, and net debt of approximately 463 crores.

To further walk you through the standalone performance of the hospital segment, standalone revenue for Q1 stood at 259 crores as against 242 crores in Q1 last year, registering growth of approximately 7% year-on-year. Standalone EBITDA stood at approximately 47.8 crores as against 52.4 crores in Q1 last year, with an EBITDA margin of 18.4% versus 21.6% in the corresponding quarter last year. Standalone PBT stood at approximately 34 crores as against approximately 40 crores in Q1 FY26, with a PBT margin of 13.1%. Standalone PAT stood at 25 crores compared to 25.7 crores in Q1 last year. This represents a PAT margin of 9.7% in Q1 as against 10.6% in Q1 last year.

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13 August 2026

At the net debt level, this stands at approximately 54.5 crores for the hospital segment at the end of the quarter. Standalone ROCE for the quarter was 9.4% on an annualized basis. Operational ARPOB was 44,711 compared to 45,673 in the corresponding quarter last year. ALOS stood at 3.69 days as compared to 3.53 days in Q1 last year. The number of occupied beds increased to 701 in Q1 as against 639 in Q1 last year. This shows year-on-year growth of 9.8%, with occupancy at 51%, excluding Shalby International, which stood at 54% during the quarter. The payer mix for the quarter was 30% self-pay, 38% insurance, and 32% government business.

Importantly, now coming to Shalby International, our Gurugram unit, revenue stood at 26.2 crores as against 23.2 crores in the corresponding quarter last year. ARPOB also increased to 91,326, while ALOS stood at 3.8 days during the quarter. International revenue contributed approximately 42% of the operating revenue of Shalby International in the respective quarter. It is also important to mention that the Gurugram unit achieved its first EBITDA break-even for the first time since the acquisition, and we expect sustainable and growing EBITDA in the subsequent quarters.

Overall international business for the Shalby group was approximately 13 crores, comprising approximately 2 crores from the Gurugram unit and the remaining 11 crores from the other units of Shalby Hospital. We are also pleased to share that during the year, the group successfully completed 47 transplants, including 41 kidney transplants, 5 liver transplants, and 1 bone marrow transplant. This has been the summary of our hospital performance and consolidated performance. From here, I will move forward to our MetTech performance during the quarter at the consolidated and standalone levels.

We have started FY27 on a very strong note in our MetTech business, with encouraging performance across all our key business units and, importantly, a meaningful improvement in profitability. The first quarter demonstrates the progress we are making in building Shalby MetTech into a more diversified, scalable, and profitable medical technology platform. I will also explain how performance has been at the top line and EBITDA level.

To start with the top line and revenue performance, at the consolidated level, Shalby MetTech as a whole delivered revenue of approximately 47 crores in Q1 FY27, registering growth of 17% in Q4 compared to Q4 last year, and a strong performance of 53% when compared on a year-on-year basis. This performance was driven primarily by strong momentum in Shalby MetTech Ltd. at the India level, which delivered revenue of approximately 36 crores, registering growth of 29% sequentially and 98% year-on-year. We are particularly encouraged by this performance because it reflects increasing traction for our products and improved execution across our business units by the team.

At the SAT US level, we also remained stable and delivered revenue of 30.8 crores, with modest sequential growth of 9% year-on-year. Our Singapore unit, SGPL, reported revenue of 9.9 million. While this is lower sequentially, the business remains strategically important to our broader MetTech portfolio, and we remain focused on improving our profitability from here. Overall, the consolidated business is showing increasing scale, and we believe the underlying growth opportunity remains very attractive. It is important to mention that we have maintained a CAGR of 90% quarter-on-quarter and year-on-year, and we are confident that we will see the same level of growth in the coming quarters as well.

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Moving to profitability performance, the most encouraging aspect of Q1 is the improvement in EBITDA. At the consolidated level, EBITDA was positive, and this was the fourth consecutive quarter in which MetTech as a whole reported a positive EBITDA performance.

Moving to the entity level, SMTL, our India-level entity, reported approximately 22.9 crores {? revenue ?} as compared to 10 million in Q4 FY26 and INR 12.8 million in Q1 FY26. This represents approximately 191% growth sequentially and 130% growth year-on-year. This is a very important milestone for us. The improvement is not merely a function of revenue growth; rather, it also reflects the benefits of operating leverage, better business mix, and improved execution over the period, which we have been consistently working on.

At the SAT US level, EBITDA was marginally negative during the quarter at the standalone level. We are actively working on improving profitability and are confident that we will see this in the coming quarters through operational efficiencies and the business initiatives we are taking across the business.

At the Singapore entity level, SGPL, on the other hand, delivered EBITDA of approximately 5.8 million, a significant improvement compared with the previous quarter. At the consolidated level, as I mentioned earlier, EBITDA was positive at approximately 1.7 million in Q1 FY27, and this was the fourth consecutive quarter reporting positive EBITDA. While we recognize that there is still considerable room for improvement at the consolidated level, we are confident in the direction in which we are working, and our execution will reflect better and stronger numbers from here onward.

It is important to mention our inventory level, which has been a key parameter for evaluating and driving the business. The good part is that our inventory level has been on an improving trend. Our inventory at the consolidated level is declining, showing a significant increase in our DSO holding period. As per our estimates, we expect a 30% improvement in our DSO and inventory holding days, which has been a significant focus area for us in recent quarters.

At the same time, our consolidated revenue was 923 million in FY25, 1.3 billion in FY26, and, in just the first quarter, it reached 472 million. This shows strong performance and also gives us the confidence to improve our inventory level and its holding period from here onward. We will remain highly focused on working capital discipline throughout the year.

Looking ahead, as we enter the rest of FY27, our priorities remain unchanged. First, we want to sustain the strong growth momentum in SMTL. Second, we want to improve profitability and operating leverage across the portfolio. Third, we will continue to focus on inventory optimization and working capital efficiency, as already covered. Finally, we will also continue investing selectively in products and technologies that can create sustainable, long-term growth for Shalby MetTech as a whole.

We believe the underlying MetTech opportunity in India and globally remains very significant. It is important to mention that our objective is not simply to grow the top line. We want to build a business with stronger margins, higher asset productivity, better cash conversion, and sustainable long-term growth. The Q1 FY27 numbers give us confidence that we are moving in that direction.

With that, I would like to thank our employees, customers, partners, and shareholders for their continuing support. We will now hand over the call to the participants, and we will be happy to take any 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 touchtone 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.

A reminder to all participants: if you wish to ask any question, you may press star and one. We have our first question from the line of Raja Kumar from RK Invest. Please go ahead.

Raja Kumar – RK Invest: Good morning, and thank you for the opportunity. First of all, congratulations on the good set of numbers. It is good to see that the hospital segment is now doing well this quarter, and I think you have delivered on your promise there. I want to know whether this segment will now continue at a steady state and whether margins will continue to improve from here. There are no one-offs and no headwinds in this segment, as per your...

Management: [inaudible] Hi, Raja. Sorry, could you repeat your question? We could not hear you properly.

Raja Kumar – RK Invest: My question is on the hospital segment. It is good to see that your margin performance is back to year-on-year levels. This is in line with whatever you commented...

Raja Kumar – RK Invest: ...in the last 2 quarters, when you were expecting to see better performance. It is really good to see that. So the question is whether these margins will sustain or improve further from here.

Management: Thank you for your question. Regarding the margins, we are confident that we will see improved margins from here. The underlying reasons are very clear. As you mentioned, it is important to include that we had deployed bunkers in our units in the previous years, which were also activated in Q1. However, we expect a further uptrend from this in the current and subsequent quarters, which would flow directly into our EBITDA margins. That would be a significant part of the revenue upside, which is why we are confident.

Another point is that our new TPA renewals are also actively underway, which would provide significant upside from the renewals. This could result in a potential 5–7% jump in revenue from the TPAs and other tie-ups that are under active discussion.

Another point is that, at the hospital level, as we have already mentioned, the Gurugram unit, which had been underperforming, has posted positive EBITDA. We are confident that we will see a better margin trend from there because it is building a better top line.

Another point is that our other units, such as Krishna, Mohali, and Naroda, have been posting year-on-year growth of approximately 30%, and we are confident that this trajectory will continue. There have been a few units that have underperformed, including Surat and Indore, where active efforts are underway to recruit the right set of doctors, and discussions are ongoing. With all these

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factors, we are confident that we will see a better top line, with a major part of it flowing directly to EBITDA and ultimately resulting in better EBITDA margins in the subsequent quarters.

Raja Kumar – RK Invest: That is good to know, sir. The second question is on the manufacturing and trading of implants segment. Why has the bottom line deteriorated despite revenue increasing year-on-year? Revenue has increased from 28 crores to 42 crores, but the bottom line has deteriorated. In the last call, we said that COGS had been coming down significantly. Why, then, is the bottom line bleeding?

Management: Thank you for your question. While our CAGR has been growing, we have been posting a positive EBITDA number at the bottom line. More importantly, if you notice, in the earlier years we had been investing, which resulted in interest expense. That interest expense is no longer increasing significantly, and our debt has become stable.

The differential reason is also depreciation on intangibles and other products, as well as other capex that we incurred in the earlier years, for which the full-year effect is coming into this quarter. We do not expect our bottom line to worsen from here. Rather, we are confident that we will see a better bottom line in the subsequent quarters, importantly because of the upside in our implants business from here onward.

Raja Kumar – RK Invest: What is the reason that, quarter-on-quarter, the bottom-line losses have increased from 7.4 crores to 11.4 crores this quarter, from Q4 to Q1? Is there any one-off here, or will it continue like this?

Management: This was also due to a one-off. If you had noticed, the earlier quarter had some impact from a foreign-exchange gain, whereas the foreign-exchange impact was different in the current quarter. Once that stabilizes, we will see that this one-off will not be present in the P&L, and we will see an improved trend in the bottom line from here.

Raja Kumar – RK Invest: My last question is for the CFO. Why are we not recognizing deferred tax on the losses? Otherwise, your tax rate is getting distorted, and it appears that you are providing higher taxes. When do you think you will start recognizing the DTA on the tax losses?

Management: We are already recognizing our DTA wherever required in the hospital segment. For the US MedTech operation, that is an accounting decision. On a conservative basis, we are not recognizing the DTA currently. However, as soon as we see profitability improving, we will reconsider and reevaluate it.

Raja Kumar – RK Invest: Thank you very much, sir. All the very best.

Operator: Thank you. A reminder to all participants: if you wish to ask any questions, you may press star and one. Anyone who has a question for management can press star and one on their touchtone telephone. We have our next question from the line of Kashish Thakur from Elara Securities. Please go ahead.

Kashish Thakur – Elara Securities: Thank you for the opportunity. Regarding the MedTech business, our MedTech business revenue has grown approximately 53% year-on-year, but EBITDA was around 1.6 million. What is driving this weak profitability, particularly on the US front, and what can

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we expect in terms of a sustainable double-digit EBITDA margin? When can we expect that?

Management: There are a couple of things. As our CFO mentioned, a large part of the decline in profitability has been because of foreign-exchange changes in the dollar-to-INR rate. In terms of volume, the volume has grown significantly in India. As you can see, there has been growth of over 100% in terms of sales volume in India.

In the US, we have remained predominantly stable in terms of sales volume. That has remained flat for us, and there are multiple initiatives that we have taken to grow that sales number.

Regarding the cost of improving EBITDA margins, there are a couple of significant initiatives that we have taken in Q1 of this year. Because of these initiatives, our total inflow into the company is going to reduce by about 3 crores per month. That is the impact of all these initiatives that we have taken, including working with the right vendors.

The other point is that another significant project is underway. Once it is implemented and executed by Q4 of this financial year, we will see the cash-flow requirement go down further by another 3 crores per month. There are these significant initiatives that have been taken, and we will achieve a double-digit EBITDA margin from there onward.

These are important changes that we have to make. As we have discussed in our earlier calls, and as you are all medical and pharma analysts, you would understand that any changes we have to make within this segment involving the USFDA and other regulatory bodies take approximately 6–9 months or 1 year. This is all underway. Half of the progress has already been made, and the other half is expected in the next 6 months from here.

Kashish Thakur – Elara Securities: Thank you. My next question is on our hospital business. Hospital occupancy has improved to 51%, but standalone margins have declined by approximately 320 basis points to 18.4%. What caused the margin pressure, and can you reinstate your FY27 EBITDA margin guidance?

Management: Occupancy has improved significantly by approximately 600 basis points. Regarding our EBITDA margins, our top line has increased. Units such as Krishna and Naroda, as I mentioned, have shown year-on-year growth of approximately 30%.

The pressure on the EBITDA margin is temporary because we have deployed new doctors and added new specialties. It takes approximately a quarter for a doctor to reflect complete profitability. In the subsequent quarter, we expect EBITDA margins to improve for that reason and also because of the new TPA renewals and bunker revenue that will flow into the subsequent quarter with its full impact. This should result in better EBITDA margins from here.

We are firmly confident, as per our estimate, of achieving an EBITDA margin of up to 20% on a full-year basis.

Kashish Thakur – Elara Securities: Understood. I recall that in the previous 2 quarters you made some additions at Shalby International, particularly on the doctors' front. Has that stabilized, or are we still adding doctors?

Management: We have carried out replacements and new recruitment of doctors, importantly on the oncology and ENT sides. That has shown good growth momentum and contributed to our revenue.

The doctors we recently recruited or replaced include those for liver transplant and kidney services. Their revenue contribution in the quarter was lower because this occurred in the middle or at the end of Q1. You will see the full effect in Q2.

It is also important to mention bone marrow transplant, which was not present in the last quarter. Active discussions are underway with doctors, and you will see that effect in Q2 and Q3, which will take the top line further up from here.

The international business also remained impacted to some extent, although it has been showing an improving trend from June onward. The full effect of that will come in the subsequent quarter.

Kashish Thakur – Elara Securities: Understood. Continuing on Shalby International, we have already turned EBITDA positive despite occupancy of 24%. What are our aspirations for occupancy and EBITDA margin for the same hospital in FY27, and when can we achieve PAT break-even at Shalby International?

Management: Based on our estimates and the work we are executing on the ground, we expect our occupancy level to touch 30% or more from Q3 or Q4 onward. We are also very confident that by Q4, or near the end of Q3, we will be able to see a positive PBT number. We are not far from that point.

We are not only EBITDA positive this time; we have posted a 7% EBITDA margin. Therefore, the journey toward a positive PBT number, and consequently positive PAT, may take 6–9 months, with the specialties already deployed and a few others already underway.

Kashish Thakur – Elara Securities: Understood. Regarding the tax rate, our tax rate has moderated somewhat. Can you provide the tax rate we can expect for FY27?

Management: At the hospital level, we have already transitioned to the new tax scheme, with a lower tax rate of approximately 26%, compared with 35% in the previous year. This is a permanent benefit that is already flowing through our standalone P&L.

At the overall group level, if you notice, our ETR has significantly declined to 47% as against 66% in Q1 last year. I have already covered the standalone level. This is the type of permanent tax benefit that will flow throughout the scheme.

It is also important to mention that in MedTech and our Gurugram unit, since we have carried-forward losses, as soon as EBITDA profitability improves and flows to PBT, we will not have a tax expense for the next 2–3 years. That will be a direct cash benefit flowing to our overall profitability and will take our ETR to a better level from here.

Kashish Thakur – Elara Securities: Understood. One last question from my end. Our consolidated ROCE remains low at approximately 16.7%, compared with management's earlier statement about doubling ROCE. What are the key levers and timelines for achieving this? I also have one question

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on the Mumbai expansion. How is it progressing?

Management: First, regarding ROCE, at the standalone level we are at approximately 19.5%, while at the group level we are approximately at 17%. We expect ROCE to improve from here for largely 2 reasons. First, our capex deployment has been heavy in recent years, where we invested 160 crores towards capex, including our {? bunker ?} facility, and where we had barely been operational...

Management: ...towards our capex, including our {? bunker ?} facility, and where we had barely been operational.

Management: I will continue answering your question regarding ROCE and summarize it. Your question was about the lower overall ROCE. I had mentioned that our group-level ROCE is approximately 7% and that the standalone-level ROCE is 9.5%. This has mainly been because of capex deployment in recent years, including our investment in {? Concord ?} Medicity Rohtak and our investments in the {? Med Tech ?} space as well.

Our group-level ROCE, based on our estimates and plans for the current year and the next year, should improve because we will be able to manage with minimal capex, since we have already invested significantly and that investment is already in our different program units. As a whole, overall ROCE should improve from here, and we expect it to fall within the industry standard within 1-2 years from now, which is between 11% and 13%.

Raja Kumar – RK Invest: Just the last question on the Mumbai expansion. How is it progressing?

Management: The discussions are underway with the Trustee. Once the alignment happens, it will go for approval or review by the trust office there. These discussions are ongoing. Whenever there is further development, it will be communicated to the respective stakeholders.

Raja Kumar – RK Invest: Thank you for the opportunity. That is all from my side.

Operator: Thank you. A reminder to all participants: if you wish to ask any question, you may press star and one. Anyone who wishes to ask a question may press star and one on their touchtone telephone. Anyone who wishes to ask a question may press star and one on the touchtone telephone. A reminder to all participants: if you wish to ask any question, you may press star and one. We have our next question from the line of Tripti Shukla from KR Securities. Please go ahead.

Tripti Shukla – KR Securities: Good morning, sir. Thank you for taking my question. In late July, ICRA downgraded our long-term credit rating from A+ to A for our 830-crore credit facility. Could you walk us through the primary drivers behind this downgrade and how you are managing your debt profile alongside the recent 129-crore working-capital facility from Kotak?

Tripti Shukla – KR Securities: Can I repeat my question?

Management: Thank you. Regarding the rating, our rating is now A compared with A+, although the outlook has improved from negative to stable. This was a procedural assessment that they carried out based on their own parameters, but it could be reevaluated in the coming quarters and could be upgraded from there.

Regarding the recent debt facility that we announced, this is not a new debt infusion. It is simply a replacement at an efficient cost, approximately 60 basis points lower than our average cost. That is the reason. This is not an increase in the debt level; it is simply a replacement and resetting of the costs.

Tripti Shukla – KR Securities: Understood, sir.

Management: No, in fact, our net debt is also going down.

Tripti Shukla – KR Securities: No, sir, I heard the answer.

Tripti Shukla – KR Securities: I just want you to repeat the second half of the answer.

Management: Regarding the rating, our outlook has improved from negative to stable. That was a procedural assessment they had to conduct, and it will probably be reassessed in subsequent quarters.

Regarding the Kotak debt that was mentioned, this is not a new debt infusion. It is simply a replacement of our existing debt at a better cost, approximately 60 basis points lower. Is that clear?

Management: I was just mentioning that the new debt facility that has been announced is not a new infusion of debt. It is simply a replacement at a better cost, lower than our average cost. Our net debt level did not increase because of this, and we do not estimate our net debt to go higher in the subsequent quarters. It could remain stable or follow a reducing trend in the coming quarters.

Tripti Shukla – KR Securities: Sir, my second question is regarding the presentation. I saw that the government share increased significantly from 32% in Q1 FY24 compared with 24% a year ago. Consequently, overall ARPOB has compressed year-on-year to 44,711. Is the shift toward government schemes temporary, at least during the period for which you are rolling out your strategy? Furthermore, how are you protecting your cash-conversion cycle, given the typically longer receivable days associated with government payers?

Management: The government share of revenue has increased compared with last year. This also follows the renegotiation, renewal, and review of the rates we receive from the government. As mentioned, in a recent case we were able to obtain a super-specialty rate in our Krishna unit, which is a significant unit for us.

Other such initiatives are also underway, including the installation of bunkers. This will also provide upside to revenue as bunker treatments become covered under the government scheme. In our {? Gurgaon ?} unit, we are already NABH-accredited and follow ECHS, which provides better rates. Therefore, we are protecting profitability and constantly reviewing rates wherever possible and wherever required.

Regarding the cash-conversion cycle, you are right that this is a complex process. For that, we have already deployed and revisited our processes to secure the cash-conversion cycle, including automated tools wherever required. We have been using and installing the platforms needed to follow up on recoveries and outstanding amounts daily, ensuring bill submission and the other requirements that must be communicated to government officials, including active visits to their

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offices.

Tripti Shukla – KR Securities: My next question is related to ROE and ROCE. Your goal is to double ROCE, which currently stands at approximately 7% on a consolidated basis. Consequently, you are planning an expansion in Mumbai through the development of a 200-bed {? Asha Parekh ?} Hospital, correct? Could you give us a sense of the expected cash capex outlay for this Mumbai facility in FY25, FY26, and FY27? How will you balance this heavy investment against your goal of immediate ROCE expansion?

Management: Once it is finalized, as we know, it is a greenfield project. While we will have to invest in it, we may have to use a different benchmark to compare our overall ROCE. Once it is finalized, we will assess it differently.

Importantly, by that time we do not expect further debt investment in our hospitals, particularly not in our MedTech business or our hospital in {? Gurgaon ?}. Overall, this would be assessed at that point in time, including whether we fund it through debt or internal accruals.

Tripti Shukla – KR Securities: That is all from my side. Thank you.

Operator: Thank you. A reminder to all participants: if you wish to ask any question, you may press star and one. Anyone who has questions for management may press star and one on their touchtone phone. A reminder to all participants: if you wish to ask any question, you may press star and one. As there are no further questions from the participants, I would now like to hand the conference over to management for closing comments.

Management: Thank you, everybody, for joining the call. We will connect again in the next quarter. Apart from that, if you have any questions, you can reach out to our investor email ID. Thank you, and have a good day.

Operator: Thank you, sir. On behalf of...

Operator: [inaudible] of LRS Securities. That concludes the conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.