

Date: 20th May, 2019

To
The Department of Corporate services
Bombay Stock Exchange Limited
PJ Towers, Dalal Street
Mumbai-400001

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza
Bandra (E)
Mumbai-400051

Scrip Code: - 540425

Scrip Symbol- SHANKARA

Subject: Proceedings of Extraordinary General Meeting (EGM)

Pursuant to Regulation 30, Part A, Schedule III of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we enclose herewith brief proceedings of Extraordinary General Meeting (EGM) of the Company held on Monday, 20th May, 2019 at 3:30 p.m. at Zone by The Park, Behind Gem Plaza, 66, Infantry Road, Bengaluru, Karnataka 560001.

This is for your information and record.

Thanking You,

For Shankara Building Products Limited

Ereena Vikram

Ereena Vikram

Company Secretary & Compliance Officer





Summary of Proceedings of Extraordinary General Meeting of Shankara Building Products Limited held on 20th May, 2019

The Extraordinary General Meeting (EGM) of the members of Shankara Building Products Limited ("the Company") was held on Monday, 20th May, 2019 at 3.30 P.M at Zone by The Park, Behind Gem Plaza, 66, Infantry Road, Bengaluru, Karnataka 560001.

The Chairman informed that Mr. RSV. Siva Prasad, Whole-time Director is unable to attend the Extraordinary General Meeting on account of personal commitment. After declaring the requisite quorum was present, the Chairman called the meeting to order.

The Chairman introduced the Members of the Board and the Key Managerial Personnel who were present on the dais.

Thereafter, the Chairman delivered the speech.

Chairman's Message

The Company has an in-principle offer for purchase of partial assets including land, building and equipment located in Chegunta, near Hyderabad (Telangana) for a consideration of around Rs. 70 crores (Rupees seventy crores only) from APL Apollo Tubes Limited. These assets are a part of wholly owned subsidiary Taurus Value Steel & Pipes Pvt Ltd ("Taurus").

The proposed transaction is subject to shareholder approval. The assets proposed to be sold include 29 acres of land, 2.9 lacs sqft built up area and a large part of the machinery situated in the Chegunta unit.

Outlined below are the key strategic reasons for the sale

- The asset sale is in line with our conscious effort to focus more on our core areas of retail and marketing of building products. The retail business has better profitability metrics and also higher growth prospects.
- Presence across the value chain of processing and retailing increases our cash conversion cycle. This can be challenging in a volatile price scenario. We witnessed this playing out in the second half of FY 19 where our performance was substantially affected by volatile steel prices. The asset sale will help us reduce our exposure to this volatility.
- The profitability of Taurus has been below par recently. We do not anticipate this to improve in the near term. As a nominal player in processing, we do not avail scale benefits. Since it does not make sense to increase capacities further, it is prudent to sell these assets.
- The release of the funds from this transaction, will help us focus on investments in our retail business. We need investments in supply chain, warehousing, logistics, retail store upgrades and new store rollouts. A strong balance sheet also helps us avail cash purchase benefits. It also reduces cost of funding for us, leading to lower interest outgo.





- One of the key aspects of this transaction would be the release of management bandwidth to focus more on the higher ROE business of retailing which has substantial growth opportunities.

Substantial release of funds from this asset

The proposed transaction include two components:

1. Sale of fixed assets worth ~Rs. 70 Crores and
2. Implied release of working capital of ~Rs. 100 crores

In essence, the implied transaction size is ~Rs. 170 crores.

Fixed assets: The details of the fixed asset are as follows:

- 29 acres of land
- 2.9 lacs sq ft of built-up area which includes 2.63 lac sq ft of factory building area, 0.27 lacs sq ft of workers quarters. In addition, there is a developed area of 2.23 lac sq ft
- Machinery includes a large part of the equipment situated in Chegunta including tube rolling mills, slitting machinery, galvanizing unit, effluent treatment plant, power equipment among others.

Working capital: There would be ~75 days of implied working capital release for Taurus. Currently Taurus conversion cycle from raw material to finished goods is ~30 days. Post this transaction, this finished product will be available on a credit of ~45 days. Effectively, this adds up to ~75 days (~2.5 months) of working capital release. As per management estimates, at ~Rs. 40 crore average revenue / month from the proposed sale assets, the working capital release would be ~Rs. 100 crore (Rs. 40 crore / month * 2.5 months).

Asset valuation: The EBITDA foregone from the proposed sale assets stood at ~ Rs. 20 crore for FY 19. The total fund release from the transaction would be ~Rs.170 crores.

Impact on financials

The revenue generation from the sold assets is ~Rs. 500 crore. The EBITDA generation stood at ~Rs. 20 crore. The following table captures the key financials of Taurus and the proposed sale assets.

FY 19 Financials	Taurus	Proposed assets*
Revenue	Rs. 745 crore	~Rs. 500 crore
EBITDA	Rs. 28 crore	~Rs. 20 crore
Depreciation	Rs. 6 crore	~Rs. 4 crore

(* Management estimates)

We do not anticipate any impact on the revenues of the consolidated entity as a result of the sale of these assets. The procurement currently being made by Shankara from Taurus will now be replaced by third party purchases. The EBITDA foregone of Rs. 20 crore would be recouped by trading margins on sale of third party products and lowered interest and depreciation charges. Benefits on lowered interest and depreciation itself should be at least Rs. 20 crore post the transaction.





Summary

At Shankara, we strongly believe that the opportunity of building material retail in India is huge and we are at a nascent stage in the evolution of organized retail in building material. Having gained an early first mover advantage with 129 Shankara Buildpro stores across South India, we believe our efforts and resources need greater focus in the retail business. Therefore, as a business strategy we have executed this partial asset sale which had challenges in terms of achieving scale benefits leading to sub optimal margins thus dragging down our overall profitability and return ratios.

We believe that this transaction holds substantial benefits for the Company. Further, this transaction will not have an adverse impact on the financials of the consolidated entity at a PBT level. We also believe that the funds that will be released will help further strengthen its future prospects.

The Company Secretary informed the shareholders that in compliance with the provisions of Companies Act, 2013, the company has provided to the shareholders, the facility to exercise their vote through electronic means. Further, the facility of ballot voting was made available at the venue of the Meeting for the Members who had not exercised their vote earlier.

She also informed that the Board has appointed Mr. S. Kannan, Practicing Company as scrutinizer to scrutinize thee-voting process as well as voting at the EGM in a fair and transparent manner.

Shareholders present were given the opportunity to ask questions and seek clarifications.

Post the question and answer session, the Chairman thanked the shareholders present at the Meeting and then concluded the meeting by authorising Company Secretary to carry out the voting process and declare the voting results. He informed the shareholders that the voting results would be made available on the website of the Company within 48 hours of the conclusion of the meeting.

