

Date: 4<sup>th</sup> March, 2020

To  
The Department of Corporate services  
**Bombay Stock Exchange Limited**  
P.J Towers, Dalal Street  
Mumbai-400001

To  
**National Stock Exchange of India Limited**  
5<sup>th</sup> Floor, Exchange Plaza  
Bandra (E)  
Mumbai-400051

Scrip Code: - 540425

Scrip Symbol- SHANKARA

Dear Sir/Madam,

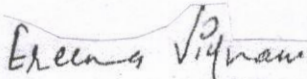
**Subject: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

We enclose herewith, a transcript of the Earnings Call of the Company with Analyst/Investors held on 6<sup>th</sup> February, 2020.

Kindly take the same on records.

Thanking You

Yours faithfully  
**For Shankara Building Products Limited**



Ereena Vikram  
**Company Secretary & Compliance Officer**



“Shankara Building Products Limited Q3 FY20  
Earnings Conference Call”

**February 06, 2020**



**MANAGEMENT:**

**MR. SUKUMAR SRINIVAS – PROMOTER AND MD,  
SHANKARA BUILDING PRODUCTS LIMITED  
MR. SIDDHARTHA MUNDRA – CEO, SHANKARA  
BUILDING PRODUCTS LIMITED  
MR. ALEX VARGHESE – CHIEF FINANCIAL OFFICER,  
SHANKARA BUILDING PRODUCTS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Shankara Building Products Limited Q3 FY20 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Siddhartha Mundra – CEO of Shankara Building Products Limited. Thank you and over to you, sir!

**Siddhartha Mundra:** Good morning, everyone and a very warm welcome to our Q3 FY20 earning conference call. Today, I am joined with Mr. Sukumar Srinivas – Promoter and MD, Mr. Alex Varghese – Chief Financial Officer and Strategic Growth Advisors, our Investor Relation Advisors. We have uploaded our updated results presentations on the exchanges and I hope everybody had an opportunity to go through the same.

Shankara Building Products Limited celebrates its 25<sup>th</sup> year and we are proud to have grown to be the number one retailer for steel and building materials in India. Our scope now expands to a retail space of 0.54 million square feet, 75 plus product categories 30,000 plus SKUs and presence across 9 states and 1 union territory. We have reported a quarter with very strong growth metrics. Our PAT for the quarter has grown 4.5 times over the last year. Our volume growth stood at 44% on a Y-o-Y basis and our revenues have expanded by 21% for Q3FY20 on Y-o-Y basis. On the retail side, our comparable sales growth stood at 11.2% for Q3FY20. We have achieved these numbers with an overall reduction in our debt levels by 45% over the course of the last 4 quarters. On the retail side, EBITDA margins stood at 8.1% for 9MFY20 which is beyond the band of 6% to 8% which we have guided earlier.

In our previous quarterly earnings call, we had mentioned that we have a sense that the worst is behind us. We have bucked the trend in overall weak environment in this quarter. We have had strong growth coming in from all our business segments especially the enterprise segment. Some of our larger states like Tamil Nadu, Kerala and Andhra Pradesh have done very well.

During the course of the previous year we have taken a few strategic calls. Sale of our processing assets, shutting down of stores which were on the margin from a profitability perspective or not scaling up materially.

We continue to be focused on strengthening our business and looking at activities which will strengthen it further like customer meets and internal training of our staff. With a strong balance sheet we are confident that the worst is behind us and we are on the the growth trajectory going forward. Internally we have been working on a number of cost control measures and the overall operational efficiencies which has helped us to stabilize and improve our margins over the last

2-3 quarters. We have further defined our key objectives for ourselves under our Shankara vision 2020. We have also outlined this in our presentation. The salient features are:

- To be the largest wholesaler and retailer for steel and building material products in India,
- An optimal SKU mix,
- The lowest cost retailer in the industry,
- Buy cheaper,
- Expand revenues by giving value to customer in terms of availability delivery and price &
- To strengthen the overall Shankara Buildpro brand.

Let me now take you through the financial performance for Q3 and 9 months FY20. Our consolidated revenues stood at 700 crores in Q3 FY20 as compared to Rs. 580 crores in Q3 2019 and Rs. 633 crores in Q2 2020, an increase of 21% and 11% respectively. Our revenues for 9 months stood at 1,973 crores, the retail segment contribution for the 9 months stood at 55%. EBITDA for Q3 FY20 stood at 32.1 crores as compared to 20 crores in Q3 FY19, a growth of 61% on a Y-o-Y basis and 26.7 crores, a growth of 20% on a Q-on-Q basis. EBITDA for 9 months stood at 90 crores with an overall EBITDA margin of 4.6%. Our overall retail EBITDA margin for 9 months FY20 stood at 8.1%, with retail EBITDA at 87.3 crores. PAT for Q3 FY20 stood at 13 crores as compared to 2.9 crores in Q3 FY19, a growth of 352%. PAT on Q-o-Q basis was up by 30% from 10 crores to 13 crores. PAT for 9 months FY20 stood at 31.3 crores as compared to 25.9 crores, a growth of 21%. With lower finance cost going forward, we are confident of PAT margins going up.

Now let us focus on the segmental performance of the company. On the retail segment, the retail sales for Q3 FY20 stood at 370 crores as compared to 333 crores in the same quarter last year, a growth of 11% on a Y-o-Y basis and a 7% on a sequential basis. Retail EBITDA stood at 30.5 crores; the revenue growth has been witnessed despite as having reduced our overall net debt by over 45%. Retail EBITDA for 9 months stood at 87.3 crores. Average rental cost for leased outlets stood at Rs. 20.1 per square feet, per month. As on date we have 123 stores, of which 18 stores are own. The total area of the stores comes were around 5.37 lakhs square feet with an average store size of 4,400 square feet. Average ticket size for transaction was around 28,500. On the channel enterprise side the overall business stood at around 330 crores, contributed to around 45% of our consolidated revenues for the 9 months.

A few highlights on the processing and the in-house supply chain. The company has 13 processing facilities. Sales from our own products contributed to around 20% of the overall sales. We believe that our business model is unique and has a very large and growing adjustable market opportunity. We are very optimistic of the opportunities going ahead. With this, I open the floor for discussion.

- Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Abhisekh Gosh from DSP Mutual Fund. Please go ahead.
- Abhisekh Gosh:** Sir, if you can just help us understand for the last 2-3 quarters what you are seeing is the conscious decision to scale down the channel and enterprises part of the business which again in 3Q FY20 we have seen a significant increase. So, if you can just help us understand the overall strategy around that sub segment?
- Siddhartha Mundra:** As we have been saying in the last couple of quarters in our concall that we had anticipated that the overall decline in our channel segment has come to a halt now. We are seeing a lot of growth opportunities in these segments as well, and we are trying to ensure that from an overall growth perspective these can also contribute materially. On the steel side of the business channel and enterprise continues to be a very strong determinant of our overall growth. So, especially on the enterprise side I think this is a key contributor. So, that will continue to be an important part for our overall growth numbers going forward.
- Abhisekh Gosh:** And in terms of the retail store we have seen about 6 store closure in the current quarter and reduced it almost about 11 odd stores from the peak. So, going forward what is the strategy there both in terms of retail store addition and in terms of geographical expansion if any?
- Siddhartha Mundra:** So, as of now we may have a few more stores which are on the margin and may further close down possibly we should be done by with this entire efforts during the course of this quarter. As of now we are not looking at immediately opening new stores, once we are comfortable with ensuring good SSSG from these existing stores we will look at the new store expansions.
- Abhisekh Gosh:** And sir, just one thing in terms of the EBITDA per store that you make has improved significantly obviously because of closure of the sub optimal store. You think is there further **any** scope of improvement in the EBITDA per store for these existing 123 stores that you have?
- Siddhartha Mundra:** Yes, I think as the SSSG is coming, the EBITDA per store will also go up. So, that continues to be an opportunity.
- Abhisekh Gosh:** And would it be possible to help with the working capital numbers for the current quarter?
- Siddhartha Mundra:** Yes,.
- Abhisekh Gosh:** So, the inventory, debtors and the payables.
- Siddhartha Mundra:** Yes. So, the overall inventory stood at 371 crores. The debtors were 434 crores. Creditors were 437 crores.
- Abhisekh Gosh:** So you maintained your net at this in fact at a lower level ...

- Siddhartha Mundra:** Yes, Net working capital days around, 45 odd days.
- Moderator:** Thank you. We have next question from the line of Saumil Mehta from BNP Mutual Fund. Please go ahead.
- Saumil Mehta:** First is on store closure, I mean, I have seen about 11 closures over the last 1 year. So, I mean internally what are the parameters when we look at in terms of store closure in terms of a particular IRR or a break-even, cash breakeven beyond 2-2.5 years. I mean, just trying to understand the thought process for the store closures some financial parameters.
- Siddhartha Mundra:** Yes, so first thing is actually break-even that we look at. So, the store has to be on a sustainable basis look to be making enough money for itself. Some of the stores which have not been able to do that say over the period of 1-1.5 years is when we start looking at it in a more conscious manner. 2 years is when we take a more definitive kind of a call in terms of taking an action on the stores.
- Saumil Mehta:** So, basically anything which is beyond 1.5-2 years there is conscious decision to shut those stores that will be the going forward policy as well?
- Siddhartha Mundra:** Yes.
- Saumil Mehta:** And in terms of the acquisitions which we had done, how are they panning out, over the last 1.5-2 years, almost 1.5-2 years we have acquired two brands. So, how are they panning out?
- Siddhartha Mundra:** So, they going as per plans actually and they have been now fully integrated in terms of our back ends as well. So, the back end warehousing and also got integrated. So, teams are also integrated. So, I think from an overall perspective we are well on course there.
- Saumil Mehta:** And in terms the Ind AS adjustment, what you have shown in the slide how much would that be for the retail and channel enterprise? a very broad breakup would be? For Q3 as well as for 9 month FY20.
- Siddhartha Mundra:** Just give us a second, possibly we will just work it out and get back to you.
- Saumil Mehta:** And in terms of the mix as of now what would be going forward the next 3 to 5 years the building material part of the portfolio. So non-steel versus steel how should we look at that portfolio over the next 3 to 4 years?
- Siddhartha Mundra:** See, steel continuous to be a key part of our business and over the next 3 to 5 years also that will continue to be a key part. It has been our strength traditionally and we will continue to build on that. But yes, the percentage of non-steel will keep moving up over the next 3-4 years. The share of non-steel products might double over the next 3-4 years from what it is currently

- Saumil Mehta:** Last question, in terms of the retail margin while comfort band was 6 to 8%. Is it fair to assume that anything beyond 8.5%-9% if we are sustainable we would be clawing back to the business in terms of higher discounts or strategically we still believe that possible 9%-9.5% margins for the longer term is achievable and that will not come at the loss of market share.
- Siddhartha Mundra:** As of now we will continue to operate largely at these levels only. We are not looking at retaining the additional margins for us. We would rather get volumes in the current stage of evolution.
- Saumil Mehta:** So, just breakup of the Ind AS?
- Siddhartha Mundra:** So, just to answer your other question on that Ind AS adjustment, around 70% of that you could assume for our retail segment and 30% for the balance.
- Saumil Mehta:** All for the depreciation, finance as well as rent, right, all the 3 items?
- Siddhartha Mundra:** It's largely rent which gets effectively broken up into depreciation and finance.
- Moderator:** Thank you. We have next question from the line of Dipan Mehta from Elixir Equities. Please go ahead.
- Dipan Mehta:** So, my question is regards to expansion. Right now you are in perhaps in the right sizing mode as far as the retail operations are concerned. But at what point of time do you think that you will be now in a position to start expanding the network and growing the business in a more organic and sustainable manner?
- Siddhartha Mundra:** So, I think we are in a phase where there are a few more stores which really we will be taking a call possibly during the course of this quarter. Immediately in the next, first half of the next financial year also we do not have any immediate plans of any store openings. But I think will keep the community informed in terms of any additional plans that we will have.
- Dipan Mehta:** But that means that is this just the potential of the retail network because there was the key strength of the company its retail network and trying to kind of get more and more customers through the distribution and direct sales?
- Siddhartha Mundra:** So that continues to be our strength actually, and what we are trying to ensure is that we are utilizing and squeezing out the maximum from these existing stores. So, rather than possibly having more of our energy in getting into new stores and manpower and location and all of those aspects, it's an opportunity, it's a live opportunity in front of us to get more out of these existing stores. And in some sense it played out also in the last quarter with our 11% SSSG growths.
- Dipan Mehta:** And my last question is regarding the borrowing and the finance cost., mainly it to be required for the channel business, right? Because retail stores would not require that much of debt or

working capital, is that a correct understanding? Just trying to understand how the finance cost will move as you go along and eventually start expanding the retail network?

**Siddhartha Mundra:** So, the retail division also has debtors and inventory. So, it is a positive working capital business on the retail side as well. So, there will be customers, who will be repeat customers, who will be influencers and this is in some sense the nature of the industry where some credit is expected out of these customers. So, we have to operate in the industry context.

**Moderator:** Thank you sir. We have next question from the line of Maulik Patel from Equirus Securities. Please go ahead.

**Maulik Patel:** Few, questions. What kind of changes or what kind of activities we are doing to attract customers for the non-steel part of the business or the basically home improvement? As per what I recollect earlier we, I mean the Shankara used to have a campaign for specific products let us say plumbing for a couple of months than the electricals. And did those things got a lot of traction?

**Siddhartha Mundra:** So, Maulik those things continue and we are only looking to further intensify those efforts. So there is effort that is required at the front end in terms of let us say new customer acquisition or even telling our existing customers or making them aware of these products, a huge cross sale opportunity exists. The other thing is in terms of having a strong backend in terms of being able to provide good service, immediate delivery to the customers. So, it is, both frontend and backend kind of an effort that is required.

**Maulik Patel:** We introduced this products over the last 3-4 years, now in those matured stores are we getting the similar ROCE on this products or is it still lower than the steel where the inventory turns are much higher than the home improvement products? Has the customer started accepting those things, is the customer is coming for the entire, starting from the building material and construction material to the home improvement? Have you seen this kind of traction?

**Siddhartha Mundra:** Yes, lots of customers are taking the entire range of products, absolutely.

**Maulik Patel:** What kind of a revenue mix one should look at it into the let us say 2 years down the line? When the channel and enterprise which is currently let us say around 45% of the revenue will go up higher and if higher how much percentage it could be? And will it not impact our working capital because earlier the thought process was that channel enterprise consume lot of working capital

**Siddhartha Mundra:** Yes, so in terms of a broad revenue share it would be a 60-40 split between retail and the non-retail part, which is channel and enterprise. And on to address the working capital we are working both on the inventory which is effectively under our control, totally under our control. We are making efforts to bring the overall inventory levels down in terms of number of days as well as absolute Rupee value of inventory as well. So, we are looking at means of how we can become



more optimal there. As well as we are working on the creditors as well to ensure that if any credit that we need to give out in the market we can have the same coming in from our suppliers.

**Moderator:** Thank you. We have next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Now sir, my first question revolves around your channel and enterprise. Now this quarter your margin was about 2.4% has seen a strong improvement. So, how are you looking at going forward in terms of channel enterprise margins?

**Siddhartha Mundra:** Should be around 2.5% to 3% kind of a band.

**Deepak Poddar:** And retail margin you already mentioned that 8% is what you are looking at right?

**Siddhartha Mundra:** Yes, we have guided for 6 to 8 and we are at the higher end, beyond the higher end of the band.

**Deepak Poddar:** And we continue to look operate at 8% kind of a level?

**Siddhartha Mundra:** 6 to 8 is what we will continue to maintain.

**Deepak Poddar:** And in terms of revenue growth like you have been maintaining retail revenue growth of 20% is what we might be looking at, right. So, what is the comment on that going forward into FY21 as well because I think we are at about 11% as of now?

**Siddhartha Mundra:** So, I think those trends should continue going forward.

**Deepak Poddar:** 11% trend is going to continue as well?

**Siddhartha Mundra:** Yes, overall 15% to 20% kind of growth.

**Deepak Poddar:** And with retail growth at 11%?

**Siddhartha Mundra:** No, that is the SSSG growth. I am saying of the overall sales growth.

**Deepak Poddar:** And since you said that mix also you are looking at 40% at channel enterprise. So, you are expecting this mix to go down, right. So, ideally the retail should grow at a higher rate than your channel enterprise?

**Siddhartha Mundra:** True.

**Moderator:** Thank you. We have next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

- Pritesh Chheda:** Sir, few clarifications. One, when we look at these numbers now they are ex-manufacturing right? There is no manufacturing remaining in this, so we are just, is the 2 channels which is retail and non-retail which defines the numbers there will be a manufacturing element also?
- Siddhartha Mundra:** No, there is a small manufacturing element. So this is basically our processing facilities which are sitting largely for the color coated roofing sheets facility and we have some residual steel pipes also. Of our overall sales around 20% contribution comes from our own products, which was 60% earlier.
- Pritesh Chheda:** And that would stand in channel and enterprise
- Siddhartha Mundra:** It would stand in both the segments.
- Pritesh Chheda:** My second question, I am just trying to reconcile between the PBT that we have sent and the P&L statement. So, slide 7 shows the retail EBIDTA, I think the EBITDA at about 87 crores and it shows retail segment EBITDA at 8.1%. And when I look at your segmental, there is un-allocable of 40 crores. So these un-allocable 40 crores how should we allocate to get the actual EBITDA of retail?
- Siddhartha Mundra:** See, this un-allocable will include depreciation. So, this 40 crores in a 9 months that you have seen will have a 20 crores of depreciation also embedded there. So these balance 20 crores you can largely split it.
- Pritesh Chheda:** Now your company level EBITDA is 87 crores, what will be your retail EBITDA then?
- Siddhartha Mundra:** So, if you take out possibly let us say around 10 odd crores from that. So, that will come to around say 75 crores-77 crores.
- Pritesh Chheda:** 75-77 crores will be your retail EBITDA?
- Siddhartha Mundra:** Yes.
- Pritesh Chheda:** And lastly on the same capital employed side, so there are about 100 crores un-allocable in capital employed. So, what does this 100 crores un-allocable refer to?
- Siddhartha Mundra:** See, this will be a lot of it, let us say backend warehousing some of our processing assets that we have, then office building, any commonly used fixed assets. So, many of this common infrastructure that we have which cannot be allocated.
- Pritesh Chheda:** And your outlook is that you will grow about 15% in retail within in which 11% is SSSG and we will try and maintain 8% margin?
- Siddhartha Mundra:** Yes.

- Pritesh Chheda:** Lastly sir, on the cash flow side what would have been our cash flow, operating cash flow in 9 months period?
- Siddhartha Mundra:** Around 40 odd crores will be our cash.
- Pritesh Chheda:** Operating cash flow?
- Siddhartha Mundra:** Yes.
- Pritesh Chheda:** And where did we spend that 40 crores?
- Siddhartha Mundra:** So, some of that has gone through as a debt reduction between the last 2 quarters.
- Pritesh Chheda:** And this acceptance figure including the debt number now is about 273 crores, right?
- Siddhartha Mundra:** Absolutely, yeah.
- Pritesh Chheda:** And how much will be debt in this?
- Siddhartha Mundra:** Debt is around 114 crores.
- Moderator:** Thank you, sir. We have next question from the line of Naitik Mody from OHM Portfolio Equi Research. Please go ahead.
- Naitik Mody:** What is the sales number for the quarter for non-steel products and what are the gross margins there?
- Siddhartha Mundra:** See, on the channel and enterprise is largely be steel, it will be steel only. On the retail side we will be having around 15% of the revenues coming in from the non-steel products.
- Naitik Mody:** And roughly what are the gross margins there?
- Siddhartha Mundra:** See, the gross margins there would be around 7% to 8% on the steel side and possibly around 10% to 12% on the non-steel side.
- Moderator:** Thank you, sir. We have next question from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Sir, we had closed down stores but still if we compare 134 stores and we have 123 now.. So, still there has been a very good growth on the retail side. So, can you explain what could have been the, what could have led to show such a better growth if we just compare on store-to-store basis?

- Siddhartha Mundra:** Yes, as you were saying that anyway this is like-for-like comparison. So, this is the same stores which was in this period and was in the last period, since then as in exactly like-to-like comparison. So, what has helped us I think in our overall thing the steel retail has also done very well for us. We have had a very good growth there. We have also been able to focus better now that we have a lesser number of stores. We have been able to focus and ensure that the growth from these stores are faster. So, some of our geographies have also done much better in terms of our growth.
- Siddharth Rajpurohit:** But the growth should seem to be very good comparing the sales recognize of 134 stores and then the sales of 123 stores. So in absolute term what would be the volume growth, sir?
- Siddhartha Mundra:** Volume growth was 44%.
- Siddharth Rajpurohit:** So, what does led to this significant growth in volume, sir? Any relevant demand that you are seeing on ground?
- Siddhartha Mundra:** Yes, we have seen a very strong demand for our products. Last quarter has been very good for us and as we mentioned in our opening remarks also some of these segments and some of these geographies have done very well for us.
- Siddharth Rajpurohit:** What is broadly driving the demand side? It will largely be retail demand, sir?
- Siddhartha Mundra:** Yes, both retail as well as enterprise.
- Siddharth Rajpurohit:** So, what is generally driving to this demand, sir? Because you are largely focusing 2-3 states.
- Siddhartha Mundra:** No, we have presence in 9 states and 1 union territory. Some of our key states is what we had mentioned in the opening remarks, that they have done much better. But we have had growth that has coming through across all our states. So, it's not specific to any 1 or 2 states. So, as you are mentioning Kerala and Tamil Nadu have done very well for us.
- Siddharth Rajpurohit:** And sir, these steel prices have gone up during the quarter,. So, would we having some inventory gains?
- Siddhartha Mundra:** Not in the last quarter.
- Siddharth Rajpurohit:** Not in Q3, there was no gain. So, are they expected and how is the demand scenario now and are there some inventory gain is expected this quarter?
- Siddhartha Mundra:** See, we work on a tight working capital and a tight inventory basis. So, we tried to ensure that we are largely back-to-back. But yes an increasing or a decreasing trend does impact us when prices go down it impacts us a bit on inventory when it goes up also it helps us a bit on the inventory side. But that is not what we are banking on from a margin perspective.

- Siddharth Rajpurohit:** And sir, we were working on some refurbishments of our stores to bring in more non-steel products, so there how is this scenario, sir? How much of these stores we have refurbished and what we are planning for?
- Siddhartha Mundra:** See, the refurbishments also that we have done we have largely possibly couple of quarters back we have done largely with the refurbishments. With a few here and there with us there are few touchups required which we have done but it's not a very mass scale effort let so to say that we are putting in right now.
- Siddharth Rajpurohit:** And what would be the number of the stores, sir, now?
- Siddhartha Mundra:** Around 40 odd stores, 40 to 50 stores which we have been refurbished.
- Moderator:** Thank you, sir. We have next question from the line of Rajesh from Florintree Advisors. Please go ahead.
- Rajesh:** This is Rajesh from Florintree. I believe Sukumar is also on the call. Sukumar, could you just give us strategic direction to us what you are thinking about over the next 12-18 months in terms of the business and what is the plan forward? And what are the key metrics that you all focused on and beyond that the long term outlook of the business?
- Sukumar Srinivas:** So, I think we have also broadly stated our vision 2020 this time where we are talking about the sustainable growth. We are looking at growth also from our steel segment which probably was a little subdued over the last couple of years. So, we are seeing strong growth, today we are little over half a million tonnes sales, we have of steel. So, we are looking at which is a fairly sizeable quantum in terms of by looking at any stretch from the market play with fairly large quantum. So, we are quite bullish on that particular area. We had today in the retail segment probably around, 15% to 20% is our non-steel which we want to double over the next 3 years. And I think broadly we are looking at a very, we have the very positive frame of mind. I think we are looking at a growth momentum which should be in the late teen sustained over the next 2 to 3 years. Am I answered your question, Rajesh? Any other clarification?
- Rajesh:** So, yes that answers part of my question. What I also wanted to ask is, you have added some new product categories in the last 2 or 3 years and the non-steel part of your retail business has been growing at 40%-50%. Do you expect it to continue of the next couple of years and what are the initiatives that you are using to drive that?
- Sukumar Srinivas:** Absolutely, I think we are very bullish in the retail side and on the non-steel products which has been growing sustainably at the 30% to 40% even in the last year when we were slightly down on our overall revenue, but our retail side, the non-steel products did continue to clock at that 40 odd percent growth. So, we are quite bullish about that we want to sustain that. The strategy growing forward is, we have always maintained that we are entire comprehensive building

material company, retail which we started just 4 to 5 years ago was always a work in progress. I think, we are sort of coming to some sort of recurring at to what is our strengths, , what our budgets, our pockets can really afford us. I think that is what we have been doing over the last 1 year maybe then little over a year ago. Like I said these are the kind of measures that we are going to take, which is largely on the balance sheet side where we talked of debt reduction. I think we have reduced debt by almost about 50% compared to last year, in the third quarter of last year to this year. So, yes, I think we have pretty much accomplish some of the key task that was challenging us which we felt we really need to focus and consolidate. Shutting down some of the stores was also part of that, So, I think given all this, I think we have got a very clear focus on the 3-4 verticals that we have focused on. And I think we will see strong growth in these verticals where we are very focused and very determined to take these this particular activity forward.

- Moderator:** Thank you, sir. We have next question from the line of Karthi Keyan from Suyash Advisors. Please go ahead.
- Karthi Keyan:** Couple of clarifications. One is, can you split the working capital between retail and non-retail, please? The numbers you gave us?
- Siddhartha Mundra:** Actually it is already available in the segments financials that retail and non-retail. For the 9 months the retail would be around 376 crores of assets and 128 crores of liabilities and for the channel and enterprise it will be around 150 odd crores. Net direct allocation that is possible. From an overall capital employed perspective around 35% of the overall assets, 35% to 40% would be deployed on the retail side if you were to do the allocation of the unallocated.
- Karthi Keyan:** The other question is where there any store closures on the acquired assets of the acquired assets or ...
- Siddhartha Mundra:** No.
- Karthi Keyan:** One clarification. You said your volume growth of 44% on the steel side this includes both channel enterprise and retail, right?
- Siddhartha Mundra:** Yes, that is right. Yes.
- Moderator:** Thank you. We have next question from the line of Ravindranath Naik from Sunidhi Securities. Please go ahead.
- Ravindranath Naik:** Sir, you mentioned just, your free cash flow from operation is 40 crores, are you mentioning in the consolidated basis or in the standalone basis?
- Siddhartha Mundra:** Consolidate.

- Ravindranath Naik:** And the first half of this year you have total operating cash on negative of around 10 crores. So, that means if you are mentioning it is 40 crores and 50 crores operating cash flow you have done in this quarter, third quarter itself. Is it correct?
- Siddhartha Mundra:** That's right, yes.
- Ravindranath Naik:** Can you please give the working capital on a consolidated basis, inventory and receivables and payables for 9 months?
- Siddhartha Mundra:** Yes, so third quarter our debtors was 434 crores, inventory was 371.
- Ravindranath Naik:** And part to the payables, sir?
- Siddhartha Mundra:** Payables was 437.
- Ravindranath Naik:** So that means the payable side increased substantially. Receivables were 374 crores it has gone up to 434 crores, right?
- Siddhartha Mundra:** Yes.
- Moderator:** Thank you. We have next question from the line of Pavan Kumar from Ratna Traya Capital. Please go ahead.
- Pavan Kumar:** Siddhartha, what would be your current utilization in the enterprise in channel business of your steel capacity whatever you have in this current quarter?
- Siddhartha Mundra:** Currently it is around 50%.
- Pavan Kumar:** And incrementally in future do we have any plans to do CAPEX from this side or they are not going ahead?
- Siddhartha Mundra:** No, we are not planning any CAPEX, no. Whatever we may do from maintenance perspective something that we may do.
- Pavan Kumar:** So, maintenance CAPEX would be how much, around?
- Siddhartha Mundra:** 3 crores to 5 crores, let us say.
- Moderator:** Thank you. We have next question from the line of Dipan Mehta from Elixir Equities. Please go ahead.
- Dipan Mehta:** Sir, I am referring to slide 7, where you have said that EBITDA from retail business from 9 months was 87.3 crores. And then when I go to the segmental result in what you have published

to the stock exchange there in the segment results for 9 months also retail is coming to 87.21 crores. But the segment result, but the EBITDA which you have shown in slide 7, over there the depreciation also has to be reduced. So, how can it be the same whether the 87.21 would include the depreciation?

**Siddhartha Mundra:** Yes, so this is segment results that we have given actually. So, our segment results do not include the depreciation.

**Dipan Mehta:** The entire depreciation is un-allocable, is it?

**Siddhartha Mundra:** Yes.

**Moderator:** Thank you. We have next question from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.

**Siddharth Rajpurohit:** Sir, we still have some manufacturing facilities after we have sell off some. So, are there any plans to diverse those facilities also?

**Siddhartha Mundra:** We do not have any immediate plans as of now, nothing.

**Siddharth Rajpurohit:** But in the long run we may completely get out of manufacturing?

**Siddhartha Mundra:** So, there is this, Centurywells that we have, so that that is actually a very strategic asset for us comes in very well integrated with our retail business. So that is something that we will not divest. I think others we can possibly react.

**Siddharth Rajpurohit:** Sir, I just wanted to understand your analysis, have we seen the benefit of sourcing from the third party than the, our own manufacturing on the margins front, sir?

**Siddhartha Mundra:** I think, one of the key benefits that have been for us is that it has taken out huge amount of debt from our balance sheet. So, which from our financial perspective has made us that much more lighter on the balance sheet. The other perspective is that a lot of the management bandwidth that was getting allocated towards that manufacturing asset. It is now getting diverted towards our core business so to say, which is more the retailing and marketing of these products. So, that in itself is a huge benefit for us.

**Moderator:** Thank you, sir. Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Siddhartha Mundra for closing comments, Sir, over to you.

**Siddhartha Mundra:** Thank you everyone for joining us. I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or our investor relation advisors, Strategic Growth Advisors. Thank you.



**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Shankara Building Products Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.