



**“Shankara Building Products Limited
Q2 & H1 FY2024 Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to Q2 and H1 FY2024 Earnings Conference Call of Shankara Building Products Limited. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vatsal Vinchhi from Choice Equity Broking. Thank you and over to you!

Vatsal Vinchhi: Thank you Yashisri. Good Morning everyone. On behalf of Choice Equity Broking, welcome to Q2 and H1 FY2024 post results conference call of Shankara Building Products Limited. I also take this opportunity to welcome the senior management team on the call with us, Mr. Alex Varghese, CFO, Mr. Dhananjay Srinivas, Vice President - Business Development, Mr. Giridhar Parthasarathy, Manager - Accounts and Finance. Kindly refer to the safe harbor statement on the third slide of the earnings presentation. I will now invite Mr. Dhananjay Srinivas for his opening remarks to be followed by Q&A session. Thank you and over to you Sir.

Dhananjay M. Srinivas: Thank You. Good morning and a very warm welcome to Shankara Building Products Limited’s earnings conference call for the quarter and half year ended September 30, 2023. I have with me, Mr. Alex Varghese, our CFO and Mr. Giridhar Parthasarathy, our Manager of Finance. Let me draw your attention to the fact that on this call our discussions will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current expectations about future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual result to differ materially from what is expressed or implied. We have uploaded our presentation on the exchange and the company website, and I hope you all might have received and had an opportunity to go through it.

Q2 of the fiscal year earmarked notable challenges for our industry. Adverse weather conditions like monsoons and flooding in certain regions and customer decisions influenced by rising inflation led to a delay in purchasing choices for the customers. Despite this challenging macroeconomic environment, we are happy to have delivered a resilient performance. Our revenues have grown by 31% year-on-year to Rs. 2,275 Crores during the first half of this fiscal year, aided by a steady growth momentum of both our segments. Our EBITDA for the half year was Rs.71 Crores, up by 26% year-on-year, while our profits after taxes were Rs. 35 Crores, up by 29% year-on-year. For the quarter, our total revenue was Rs. 1,142 Crores, up by 26% year-on-year, while our EBITDA stood at Rs. 36 Crores,

up by 23% year-on-year. Our quarterly EBITDA margins have improved sequentially by 13 basis points to 3.2% compared to 3% of Q1 FY2024, aided by an improvement in the steel mix and operating efficiencies.

Our retail business grew by 27% year-on-year to Rs. 1,223 Crores during H1, with the same store sales increase of 23% during this period. Even with the same store base of 91, we have been able to achieve a 13% year-on-year growth in the number of transactions and a 12% year-on-year growth in the average ticket size per transaction, primarily led by the introduction of newer product categories and brands across our centers. Our EBITDA for the segment was up by 20% year-on-year during this period. While we continue to grow our retail business, we are focused to keep our cost under control for the segment and hence our rental costs have grown by just 4% year-on-year, against a 27% growth in revenues. We are in the process of opening two new fulfillment centers, one in Maharashtra and the other one in Madhya Pradesh in the coming months. Given our established presence in the South our endeavor is to continue our cluster-based growth approach and strengthen our penetration in the Southern region by gradually expanding to other regions.

Our channel and enterprise business continues to be strategic for our growth. The segment has grown by 36% year-on-year during the first half of the fiscal. Given the significant focus of investment in infrastructure and real estate upcycle, we believe the segment to continue to grow steadily in the coming quarters and years.

As far as our product mix is concerned, both our steel as well as our non-steel building materials has supported our revenue growth momentum, with each of these growing at around 30% during the half year period. While we continue to hold a prominent position in steel tubes and pipes business, we are consistently focusing towards expanding our products within the steel building materials. For example, during H1, our steel flat and TMT revenues have grown at 60 to 70% year-on-year, while our roofing business has grown by around 35 to 40% during this period. This strategy has not only helped us steadfast our business growth, but also aided slight improvement in the profitability of our non-retail business.

Our non-steel building materials continues to grow at a healthy pace. We have achieved a growth of 30% year-on-year for the first half of this year. By the very nature of the building material industry, the business activity is mostly concentrated towards the second half of the year as the building construction activity ramps up post the monsoon period and thus, we believe, we are on track to achieve a healthy year-on-year growth in our non steel building materials during the second half of the year. Overall, we continue to remain bullish on our

non-steel building materials, given the significant surge in home improvement and upgradation demand across the country. India's rising per capita income further underscores the long-term theme of sustained consumption. We have strategically introduced our private label, named Fotia Ceramica designed to address a wide spectrum of customer requirements within the tile segment. The brand has been well received and has gained a steady traction, affirming our strategic decision in the non steel growth. Our concept of store in store starting with our partnership with one of Asia's largest paint company, Nippon Paints is yielding positive traction. We plan to establish more such stores in store in collaboration with Nippon and other brands in the near future. These strategic initiatives have exemplified an increase in the average transaction size and frequency of transactions at all fulfillment centers. We have realized that our network of fulfillment centers and our strong brand pull in the Southern market, we have the substantial market share expansion opportunity within all the sub-segments starting from sanitary ware, tiles, and electrical to paints and etc., enhancing our cross-selling opportunities across all our fulfillment centers. Thus, we have been strategically revamping some of our fulfillment centers to accommodate a broader range of non-steel building materials.

Our BuildPro app and website have been successfully providing customized solutions to our customers while simultaneously expanding our digital footprint. Given the nature of the industry, customers prefer visiting offline stores after conducting online research. Thus, we continue to use technology as a means to attract more customers. Our platform serves as a tool to conduct preliminary product research, ultimately encouraging them to visit our physical centers for a first-hand experience. This strategic approach has translated into an increase in footfalls at our stores. Notably many customers who initially seek a single product online often end up making multiple purchases when visiting our centers. It is worth noting that while revenue contribution from online channel is not currently material, this transition in customer buying pattern is a pioneering effort within the industry. Furthermore, to augment our Omni channel strategy, we are evaluating suitable strategic partnerships in the digital landscape. These collaborations are aimed at enhancing our ecosystem system with technology and innovation.

As we move forward, we expect our revenue growth momentum to continue in the coming quarters. While we grow our revenues, we also commit to slightly improve our profitability margins from the current levels and keep our working capital cycle under control to remain capital efficient. We are strongly working towards our ambitious target to elevate the contribution of our non-steel business to 25% within the next four to five years. As we grow this more value adding business, our blended profitability margins should improve in the coming quarters and years. We also aim to keep our balance sheet capital efficient with our

asset light model for store expansion and efficient working capital management measures. We are continuously working towards maintaining and strengthening relationships with our key suppliers ensuring adequate credit availability from them and dedicatedly building a robust supply chain that enables efficient and fast delivery and optimizing our inventory levels. These efforts collectively contribute to our successful working capital management, which stands at 30 days as on the half year end. Our return on capital employed for the first half of the year stood at 16%. Our collective efforts towards our lean balance sheet approach should drive improvement in our return on capital employed going ahead. I am also happy to communicate that we have recently received the balance payment of Rs. 78.75 Crores towards warrant conversion by the APL Apollo Group, further strengthening our ending partnership for future growth. This equity infusion will not only strengthen our capital base, but also towards debt reduction and fund other operational requirements bolstering the company's financial stability in the coming quarters.

With this, I would like to hand over the call to the moderator for Q&A.

Moderator: Thank you very much. We will begin the question-and-answer session. We have our first question from the line of Suresh Pal from Peace Wealth Capital Limited. Please go ahead.

Suresh Pal: Thank you for the opportunity. Sir my first question, has our cash flow deteriorated in this first half of this financial year, so can you please explain what went wrong and what might be the reason?

Giridhar Parthasarathy: Generally, in the first half, say more specifically in the Q2, overall in this business cycle has been little sluggish so there has been in collection a little deterioration. We expect it to pick up as we go in the next quarter.

Suresh Pal: Sir, my second question is regarding what is the effect of steel price in our business and what is the volume growth in our steel products year-on-year?

Alex Varghese: The steel growth is around 30% compared with last year.

Suresh Pal: Volume growth?

Alex Varghese: Yes, Volume Growth.

Giridhar Parthasarathy: And the steel price has softened, and we are taking steps to manage it in a better way.

Suresh Pal: Okay Sir and my last question is, what is our present relationship with APL Apollo? Have they divested any stake and we are hearing that they they forming some another company named SG Mart, so will there be any chance of competition from there so if can throw some light regarding that it will be helpful?

Dhananjay M. Srinivas: So, I believe as you said they have invested in the warrants, which is what we expected, and we are happy with that. I would say that we do not see it as competition. I think it would be more as an additional partnership for us with them for more growth, so we are sustained and continue with our status quo and the existing strong relationship and partnership with Apollo.

Suresh Pal: So, it will be more like a partnership rather than competition, right Sir?

Dhananjay M. Srinivas: Yes, correct.

Suresh Pal: Okay, thank you Sir. That is all from my side. I will rejoin the queue.

Moderator: Thank you. We have our next question from the line of Saumitra Joshi an Individual Investor. Please go ahead.

Saumitra Joshi: Yes, so just continuing from the last individual who had asked questions. Just two things from my side? One is, what I am seeing is one is on the revenue aspect of it so can we look at a 30% plus growth at least for the next half considering that Q2 I assume it is a slight weaker quarter as it is known, but the relative growth itself was slightly less so can we basically take or factor in the fact that there might be an uptake in the growth in the coming quarters that is H2?

Dhananjay M. Srinivas: Usually, as you say the second half is usually much stronger in the building material industry. We believe that we do have a robust pipeline and that we can expect around maybe.

Giridhar Parthasarathy: We are on our internal targets, so we do not expect to miss our estimates.

Saumitra Joshi: Okay and from a margin perspective, we are looking at an uptake because it is not so? I think we had guided for about a 50 to 100 basis points increase in the year in the margins, so going forward I am assuming that there would be a strong focus in H2 on increasing that EBITDA margin, which I think has been slightly subdued for the year also correct? Is that understanding correct?

Giridhar Parthasarathy: No, see currently our EBITDA margin is expected to remain around the same level. Our aspiration is to increase it by the 50 to 100 basis point, and we are actively working on it in terms of focusing more on non-steel and also trying to improve on the product mix and so we hope to achieve the same.

Saumitra Joshi: By when would this be, is there some I assume the long-term target was 5% because of increasing the non-steel mix in the process and which was about a three to four year down the line kind of a thing?

Giridhar Parthasarathy: Yes, that would say generally would be around four to five years because as we have been saying this before also, currently non-steel is around 10% and we aspire to bring it to around 25% of the overall topline, and so definitely by then we can be as our estimates and things go on, we should be reaching there. Currently in one to two years, we are focusing on to actively working to improve the margin profile.

Saumitra Joshi: So, for the next one two years you are looking at increasing the margin profile is what you are saying?

Giridhar Parthasarathy: Yes.

Saumitra Joshi: Okay the last question is with this warrant conversion of APL Apollo Mart, what would be the total holding of APL Apollo Mart in Shankara?

Dhananjay M. Srinivas: 5% to 6%.

Saumitra Joshi: I did not understand one thing, so they had taken a few shares in the beginning? I assume it was around 4%. Then why was that offloaded in the open market and then now conversion of warrant is happening? Can you just throw some light on this to what exactly is the process here that has happened?

Dhananjay M. Srinivas: I think as I mean the market knows also of SG Mart as the earlier gentleman had spoken of. I believe that they are pulling out cash flows across the board to fund for that. I believe the warrant subscription is proof enough and evidence enough that they are still committed to us and partnership of us together.

Saumitra Joshi: So, it will not that this will again go on to the open market this share?

Dhananjay M. Srinivas: No nothing of that sort.

Saumitra Joshi: That understanding is there with APL Apollo Mart?

Dhananjay M. Srinivas: Yes.

Saumitra Joshi: Okay fair enough. Okay so what I can summarize from this interaction is that H2 is going to be better than H1? There is going to be, so we are looking at a very decent growth in H2 because one thing that I am noticing is over a period of time and please correct me if I am wrong maybe the base was lower that is why but the percentage of growth is also slightly slowing down so is this something that probably will ramp up going forward or because we used to grow at around 30%, 40%, 50% and now as you can see that the growth is slightly subdued this year, so probably this is something that in H2 is going to drastically catch up because again the margins are remaining the same? Either we focus on the margins, or we focus on the revenue?

Giridhar Parthasarathy: No, the focus is going to be on both margins and also the revenue. Now the overall growth this year, our estimates have been around the range of say 25% to 30% only and like I said before also, we are expecting to reach our targets by the end of the year and we do see that with the orders and you may not see a similar number as of the previous year but a steady growth is expected.

Dhananjay M. Srinivas: We have guided towards that 25% to 30% year-on-year growth as a CAGR, and I think we are on track to achieve that. As you said last year would have been more robust because we were coming off two years of COVID, so obviously there would be a much bigger spike in terms of percentages.

Saumitra Joshi: Okay and this 25% to 30% would be something of a long-term not really a one or even a two-year thing? It is something that we are targeting long-term, correct?

Dhananjay M. Srinivas: This would be long-term.

Saumitra Joshi: Yes, and subsequent increase in operating margins over the period of time is that understanding correct?

Dhananjay M. Srinivas: Yes.

Saumitra Joshi: Thank you.

Moderator: Thank you. We have our next question from the line of Miraj from Arihant Capital. Please go ahead.

Miraj: Thank you for taking my question, Sir. I just wanted to understand in terms of our guidance as you mentioned 25% to 30% growth. How has the October month been and if you could also give highlight for the 10 days of November how has it been so far?

Dhananjay M. Srinivas: I mean we are on track. I think as we speak, we do have that robust pipeline as well so it is working and right now as you know this last month of October and the first 10 days of November has also been a mixed with festival period, so we will see the growth coming up after probably the 15th and we are quite bullish as for our growth for the next five months.

Miraj: Understood right and Sir just the earlier explanation that you gave to the previous participant regarding APL and selling in open market could you please repeat that again? I missed that part.

Dhananjay M. Srinivas: I think for their own cash flow reasons they have been pulling out, and I think that is the news from the market as well, so it is really no change in the status quo as for us and our relationship with Apollo. We still have very strong partnerships and tie-ups and then coming back into subscription of the warrants that reaffirms that.

Miraj: Understood and my final question before I get back in the queue, since we are focusing on non-steel business as well because that is a much higher margin, what are our key methods or key drivers that we are putting in place or some of the important acts that you are taking in to push more sales compared to steel products?

Dhananjay M. Srinivas: I think one of it is that we still feel that we are at a very nascent stage. We still have a lot more potential to reach up to. Our stores are showing that same store growth. I think the product mix as well, we are still adding the product mix with adding paint and other verticals. We are seeing a rise in ticket size for the non-steel. We now have a dedicated team, which we did not have earlier which is also helping us drive and achieve these targets for the non-steel.

Miraj: Understood okay. I will get back in the queue. Thank you, Sir.

Moderator: Thank you. We have our next question from the line of Neeraj Lal from KCC Advisors. Please go ahead.

Neeraj Lal: Good morning and thanks for the opportunity. Congratulations on the good set of numbers. Sir just couple of questions from my side? You did mention in the commentary that people are more focused on visiting the stores in-person rather than purchasing it online? Now if

that is the case, what are plans to include the same store sales growth and like is there any guidance to like what will be the maximum revenue potential per store?

Dhananjay M. Srinivas: As we say, we are using our online as a discovery platform to get customers to the stores. We do see it having a slight increase in our walk-ins. I think the same store growth, currently we are at 23% and we see that remaining steady or a slight growth in that in the coming quarters and coming years. We also believe that we are working on digital and trying to pioneer a way that customers can also buy online and that is something that we are working in and I think I will have more for you in the coming quarters on that, so I think since this is something that is very new and the building material industry traditionally does not order online because of the big ticket sizes. We are working on a lot of ways to increase that and work on that and we are also leveraging our existing customer network to cross-sell, so I think that would also be helping us drive the same store growth.

Neeraj Lal: So, we can expect a change in the mix of online and retail I guess, am I right Sir? Is that fair to assume?

Dhananjay M. Srinivas: See currently our online is negligible. We are as I said it is more of a discovery platform. I think going forward, we will be working on this more and then I think then we could see an increase in online, but definitely we are seeing the same steady growth for the store growth and walk-ins.

Neeraj Lal: Got it Sir, on the new Fotia Ceramica, what is our status on the product? What are we looking in this space and how we performing there?

Dhananjay M. Srinivas: We found that in the tile industry there is a scope and there is a potential to bring in specialized products, newer designs, and something unique to the market, so we are focusing on that. We are working with multiple factories to produce our tiles and we have gained good traction in the Southern markets in our projects as well as the retail space, so we do believe that the brand is growing well, and I think as of last year we achieved around Rs. 80 Crores, and as on the half year, we have already come up to Rs. 50 Crores, so we say that is a good growth with our brand has got the traction and is growing well.

Neeraj Lal: Okay so just one last question? Can you give any guidance on what will be the rental cost for the retail business and like, what do we expect here and is there any recent substantial revisions in these things?

Alex Varghese: It will be approximately around Rs. 17 per square feet. That will continue. There could be some minor increase can be there 4-5% but more or less.

Giridhar Parthasarathy: On this, average it will be, specific areas it may be higher but in tier 2 and tier 3, it gets adjusted on an average around the same.

Neeraj Lal: Okay Sir. That is all from my side. Thank you for the opportunity.

Moderator: Thank you. We have our next question from the line of Abhishek Sharma from KC Enterprises. Please go ahead.

Abhishek Sharma: Thanks for the opportunity. Sir my first question is related to the recent store closures? I wanted to understand the level of impact that could be witnessed on company's topline and bottom line in the coming quarters.

Dhananjay M. Srinivas: As we have also said earlier, I think the store closure has been a strategic decision. We have not witnessed any impact on our top plan line or bottom line. Our same store growth have increased and turnover has also increased. The reason we have closed stores is at times we feel that area could be catered to from an existing store, so we say negligible would be the impact.

Abhishek Sharma: Sure, my second question is just a follow-up on our launch of our in-house brand Fotia. I just wanted to understand the rationale behind coming up with a private label in already crowded market like tiles and how do you see this brand unfold going ahead?

Dhananjay M. Srinivas: We do not see tile is too crowded. I mean as you know there are few very big companies that are taking care most the shares, but what we understand in the tile industry is there is a lot of potential and there is scope. We have had a lot of growth. As of last year, we had very strong presence in Kerala, and now we are expanding in Karnataka and other regions. We have our own designing team as well, so it gives us a USP in terms of bringing out specialized designs. We believe there is a market for it. The numbers have also proved us right. We do see continuous growth year-on-year and I think, we will have more for you as the brand matures.

Abhishek Sharma: Sure, that is helpful. Thank you so much.

Moderator: Thank you. We have our next question from the line of Suryansh from Bizx Enterprise LLP. Please go ahead.

Suryansh: Congratulations. My questions are in retail front, the store we are having, do we have capabilities to charge for display spaces to the brands? Like there are a lot of brands for same segment, so are we able to do that or we are planning to do that something like that?

Dhananjay M. Srinivas: Historically, this is something that does not happen in this industry. I think mostly the brand ask for the space and dealers give it to them. I think going forward, as we grow in volumes and size and walk-ins, we can leverage this as we have a big customer base and potential as well. Maybe, we could see something like this coming up in the future. For now, I do not see anything changing. I think it would be status quo for the coming quarters. Maybe in the years ahead, we could think about this and leverage our strength for this.

Suryansh: Okay and my second question is when I generally go through purchasing in these kind of construction material spaces, what I find is there are generally two kind of stores. There is one bulk material store like cement, bars and then high value is differentiated, so we have both the kind of material in same store or we also kind of do that type of differentiation or do we have different channels for different kind of customers and at different construction stage cycles?

Dhananjay M. Srinivas: So, how I would say it is we have, how it would look is we have a space next to the showroom which would be a shed that would usually have the steel, cement and what you would say as the aggregate and more of the dirty products, not the beginning product and the wastage products and we have a showroom right next to the finishing product so we have both so customers can actually come and see both. We have as you say both products are very different, so they need different ambiance, and we cater to both of those in the same location.

Suryansh: Okay and my last question what are the dynamics of store in store which you are telling that you are coming up with, like what advantage do we have like the inventory is financed by someone who is putting the store in store or like what are the dynamics in that thing?

Dhananjay M. Srinivas: So, the store in store is more of it is more to signify an importance for a brand for us. So, as we have ventured into the paint segment with Nippon, we have collaborated to give them space in our stores. From their side, the support would be in terms of business and marketing side and things like that. They also do give us a store promoter to help with our sales, so I think the support is more on the sales and marketing side. Inventory and other things do remain with us, but with that being said, we do have low inventory required for paints because we are just starting out and companies do have depot and warehousing across these areas.

Suryansh: Okay and one last question like what I feel that there are what I see I do not know what is actual thing? What I see is that there are lot of competition in very different, different segments so like we are trying to force the supplier to finance those things through them like inventory? We are able to finance inventory through the suppliers. I think we can grow fast enough and just this thing like we are capable of financing for them or not?

Dhananjay M. Srinivas: So, we work on having stronger relationship with our suppliers to get more credit facilities to improve our working capital, but I do not really see a model where they would finance inventory. I mean maybe in the future this could be something that we look at. I mean if a call to and taken is a good idea.

Suryansh: Okay. Thanks so much.

Moderator: Thank you. We have our next question from the line of Pooja Jain from AGM Investment. Please go ahead.

Pooja Jain: Sir you talked about the new experience center in other region, so could you provide more color on the geographic expansion and do you see any challenges in expanding outside South region?

Dhananjay M. Srinivas: Currently we are very strong in the South, and we have a very good brand in the Southern region. Over the last year we have been making good intro in Maharashtra and Madhya Pradesh, so I think for now we are looking at expansion in the West. We are also coming up with a display center in Morbi in Gujarat, so I think we are making good inroads in the West. We do not face any challenges because we start off with our old and legacy product of steel to kind of feel the market and then bring in other products, so we have had a good growth and we have a very good substantial impact last year in Madhya Pradesh and Maharashtra, so I would say that would be our next geographical side of growth as well as reinforcing and continuing to strengthen the cluster approach and method in the South.

Pooja Jain: Understood, so in continuation to the previous question, so could you also provide some guidance on the new stores, the plan for H2 and the probably the strategy in opening stores in new region?

Dhananjay M. Srinivas: So, we do not believe we really need too many new stores. I think it is more of a strategic decision maybe two to three for half yearly or for year and the reason for that is because we have seen that 23% same store growth. We believe that there is still a lot more we can get

out of the existing stores, and we can grow our revenue substantially from the existing infrastructure that we have.

Pooja Jain: Understood. Thank you, Sir.

Moderator: Thank you. We have our next question from the line of Forum Makim from JHP Securities. Please go ahead.

Forum Makim: Sir great set of numbers so I wanted to know what is the revenue contribution from APL this quarter and for H1?

Dhananjay M. Srinivas: Thank you, so it would be around 35% to 40%.

Forum Makim: And in this is in terms of the revenue or volume?

Dhananjay M. Srinivas: Revenue.

Forum Makim: And how much volumes would we have done for H1?

Dhananjay M. Srinivas: Volume, just a second. I think volumes would be closer to maybe. Just a second, so the volumes would be 40% to 45%.

Forum Makim: Okay and do we expect any growth in this number for the next year?

Dhananjay M. Srinivas: I think as for the target we have taken with Apollo for the year and everything, we see a steady growth continuing.

Forum Makim: Like double digit growth?

Dhananjay M. Srinivas: Yes.

Forum Makim: Okay Sir and for a new brand how are we sourcing it? Like is it outsourced from Morbi and do we plan to manufacture in the future?

Dhananjay M. Srinivas: So, like most of the players in the industry we also are sourcing from factories in Morbi so that is our current model and I think let us see in the future, I think as the volumes possibly will go up, we could look at something like that in the future.

Forum Makim: And do we plan to introduce our own brand for any of the other products like pipes and other sanitary ware products?

Dhananjay M. Srinivas: Nothing at the moment.

Forum Makim: Okay sir and more on the store expansion, so you mentioned you would do two to three stores per year and so all of this will be in the new areas right North and South?

Dhananjay M. Srinivas: Not necessarily. I think it would be a strategic decision. There are some areas maybe in the Southern market that have a double or higher potential for growth. For example, like AP or Telangana where we are seeing substantial growth in cities like Hyderabad, so I think it would be strategic where we see the growth and where we see we can do the best.

Forum Makim: But Sir, like tapping into new geography give us more growth? Is it possible to sweat the existing stores to a level that like 25% or 30% growth will be sustained from these?

Giridhar Parthasarathy: See, currently basis our estimates analysis the existing infrastructure, we have the potential to double our turnover in next four to five years so the existing infrastructure in the South is at the moment strongly where there is enough potential however still if you see a major of the revenue is coming from Karnataka, to now say AP and Telangana. Here on we can strategically look to open few stores and we are slowly looking into even the Western region, where we will be going with a stronghold and eventually venturing out to see what other possibilities or growth opportunities are there.

Forum Makim: Got it okay and Sir what is the contribution from digital business in H1?

Giridhar Parthasarathy: It is negligible at the moment. It is around a percent or so, but we are looking like we said before we are looking at it more like a discovery platform over.

Forum Makim: Are we seeing any growth in that segment?

Dhananjay M. Srinivas: We are seeing the growth like I said in terms of customer visits and obviously translating into walk-ins in our showrooms. We are working on various strategies to increase online sales themselves and like I said, since we are pioneering in this, it is taking some time to understand customer habits and buying behaviors.

Giridhar Parthasarathy: We are studying on it to see whether there is scope whether it increases over a certain period or whether the demand is there in a specific seasonal time so we will see more how it turns out in the year or two.

- Forum Makim:** Got it Sir. Okay thank you so much.
- Moderator:** Thank you. We will take our question from the line of Aarya from BNB Advisors. Please go ahead.
- Aarya:** Thanks for taking my question. So, my first question would be what is a strategy with APL Apollo?
- Dhananjay M. Srinivas:** In what sense if I may ask.
- Aarya:** Is there any chance APL can squeeze our margin and what is the strategy on that front to derisk ourselves?
- Dhananjay M. Srinivas:** We share a very cordial relationship. They have helped us grow with their wide portfolio and we have helped them strongly penetrate in the South. We do not feel there is going to be any squeeze in margin or anything else. Everything remains status quo. We are a strategic partner for them, and they are for us, so I think we are not worried about any of those issues.
- Aarya:** Okay all right, and also, I would like to understand what is the gross margin and EBITDA for non-steel business?
- Dhananjay M. Srinivas:** Sorry, this is just for the non-steel business.
- Aarya:** Yes, non-steel business?
- Dhananjay M. Srinivas:** So, the gross margins are between 10% to 12% for the non-steel and since we are still in the initial stage of building our team, our expenses a bit high, so EBITDA comes to around 5% to 5.5%.
- Aarya:** Okay, thank you so much.
- Moderator:** Thank you. We will take our next question from the line of Suresh Pal from Peace Wealth Capital Limited. Please go ahead.
- Suresh Pal:** Thanks for the opportunity again, Sir. Sir my question is we have guided for margin growth in our overall EBITDA margin growth for the FY2024 that is 3.5%, so how is the journey so far in this financial year if you can explain?

Giridhar Parthasarathy: It is expected to be around 3% to 3.5% towards the end of year we will come up with the action so it is overall margin profile is seeing some improvements however the exact numbers we will be able to tell as things goes on.

Suresh Pal: Okay thanks Sir. That is it from my side. Thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you Sir.

Dhananjay M. Srinivas: Thank you everyone for taking the time out of your busy days and to spend some time with us and to join us for our earnings call. I would like to wish everyone a very Happy Diwali and we will see you all soon. Thank you.

Moderator: Thank you. On behalf of Shankara Building Products Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)

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