

Date: 13<sup>th</sup> February, 2023

To  
Department of Corporate services  
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To  
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Exchange Plaza, Plot No. C-1,  
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**Symbol- SHANKARA**

Dear Sir/Madam,

**Subject: Transcripts- Q3 & 9M FY23 Earnings Conference Call.**

Please find enclosed the transcripts of the Q3 & 9M FY23 Earnings Conference Call held on 7<sup>th</sup> February, 2023.

Kindly take the above information on record and acknowledge.

For **Shankara Building Products Limited**

**Ereena Vikram**  
**Company Secretary and Compliance Officer**



“Shankara Building Products Limited  
Q3 and 9M FY '23 Earnings Conference Call”

February 07, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 07<sup>th</sup> February 2023 will prevail



**MANAGEMENT:**      **MR. SUKUMAR SRINIVAS – MANAGING DIRECTOR – SHANKARA  
BUILDING PRODUCTS LIMITED**  
**MR. ALEX VARGHESE – CHIEF FINANCIAL OFFICER – SHANKARA  
BUILDING PRODUCTS LIMITED**  
**MR. DHANANJAY MIRLAY SRINIVAS – VICE PRESIDENT BUSINESS  
DEVELOPMENT– SHANKARA BUILDING PRODUCTS LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to Shankara Building Products Limited Q3 and 9 Months FY '23 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 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sukumar Srinivas, Managing Director of Shankara Building Products Limited. Thank you, and over to you, Mr. Sukumar.

**Sukumar Srinivas:**

Good evening, everyone. On behalf of Shankara Building Products Limited, I extend a warm welcome to everyone on the Q3&9MFY '22-'23 earnings call. I have with me Mr. Alex Varghese, the CFO of Shankara Building Products Limited and Mr. Dhananjay Mirlay Srinivas, Vice President, Business Development, and SGA, our Investor Relations Advisor. I hope all of you must have had a chance to look at our investor presentation that is uploaded on the stock exchanges.

A quick look into the industry dynamics and business scenario in Q3 FY '23. The year 2022 saw a recovery for the construction materials sector. The industry experienced a robust rebound, thanks to the emphasis on infrastructure development and the rush to acquire real estate assets. The building materials sector recovered and moved in the direction of pre-COVID levels. In 2022, the industry saw a 10% rise. The industry is not showing any indications of slowing down a 2023 approaches. On the contrary, it is headed in the direction of rapid expansion. Growth in the building materials industry is crucial for the economy as a whole because it employs more than 51 million people and account for roughly 9% of the nation's GDP.

One of the main factors influencing the sector growth is the government's goal of creating a \$5 trillion economy, and the resulting investment in infrastructure. The budget of 2023 will boost the prospects for the building material product companies and the steel sector in India. The budget provides INR 10 lakh crores allocation for development of the infrastructure sector. The increase in outlying the Pradhan Mantri Awas Yojana and The Jal Jeevan Mission, both appear to have a positive impact for the steel sector and the building material sector in general in India.

Coming to the company's financial performance. Shankara has achieved a stellar performance on the back of revival in infrastructure real estate. We have achieved our highest-ever quarterly sales with revenues crossing the milestone of INR 1,000 crores for the quarter. All the segments performed well during Q3 FY '23. We have registered same-store sales growth of about 70% during the third quarter of this financial year. We have seen higher footfalls in our retail stores and online channel has also performed well. The company's consistent efforts over the last few quarters has helped us efficiently manage net working capital. Our working capital cycle for Q3 came in at under one month about 26 days and a positive cash flow of INR 95 crores for the period ended 31, December 2022.

In the nine months of the financial year, our company recorded a total revenue of INR 2,820 crores, a growth of 72% year-on-year. The retail business built a revenue of INR 1,561 crores, a growth of 61%. Channel and enterprise business stood at INR 1,259 crores with a growth of 89%. Karnataka continues to be the major contributor of our business, having a share of 47%, followed by Kerala, Tamil Nadu, Telangana, Andhra Pradesh and the rest of the states. Our store metrics continues to show healthy traction. In Q3, we recorded an average ticket size of INR 45,000 versus INR 37,138, in the same quarter of the previous year. Our rentals per store remained stable. We recorded an SSG of 70% year-on-year basis for Q3.

I will now ask Dhananjay Miralay Srinivas, to give you a brief update on the Building Materials Retail segment.

**Dhananjay Srinivas:**

Hello. Good evening, everyone. I would like to begin with a quick overview of the product in Shankara's building material life cycle. As you might be aware, we supply materials starting from TMT, cement, and construction chemicals to plumbing, sanitaryware and fittings, tiles, adhesives and surfaces. We also have electricals, lighting, paint, modular kitchens, hardware and appliances that form a part of our portfolio. Last but not least, MS tubes, structural steel and roofing solutions, complete our basket of offerings. There has been an increase in retail walk-ins in the last quarter, and we feel our brand equity has grown.

We are focused on an increase in sales from the verticals of tiles, electricals and lighting and a push towards more luxury brands expected by customers in Tier 1 cities. Our focus continues to be on technology where we are working towards increasing our presence through digital marketing for our website and mobile application. Last quarter, we saw a growth of 25% in online inquiries and a 35% growth installed with this. This is in line with our vision of eyeballs to footfalls. There was a 5% month-on-month increase of visibility for our website.

Our Web Performance Index has grown from a score of 56 to 98 for the desktops and 21 to 80 on Mobile, thus ensuring easier access and ease of movement through all the pages and links of our website. Overall, we have seen an increase in traffic by 82% as compared to the previous quarter and 92% of the traffic growth was through organic means. We continue to utilize technology to improve our customer acquisition and retention.

We at Shankara are working towards customer transparency in the building materials life cycles. We believe customers and influencers need more clarity and visibility towards the fast-evolving building materials industry. Shankara works with a customer-first approach. Customers can get a better understanding of all stages of construction and view the material and brand appropriate for their needs. Our stores prices themselves on product knowledge and utilize technology to share this knowledge with our customers. This helps them optimize their purchases. Our technology-enabled approach rewards customers for loyalty and offer them choices and prices unmatched in the market. Overall, it's been a good quarter, and we hope to continue this in the coming months with a focus on non-steel and technology-enabled growth. Thank you.

**Sukumar Srinivas:**

I would request Mr. Alex Varghese, our CFO, to talk about the financials, briefly.

**Alex Varghese:**

Good evening, everybody.

In Q3 FY '23, our revenue came at INR 1,080 crores, registered a growth of 85%. EBITDA came in at INR 33 crores, registered a growth of 114%. The margin came at 3.03% with a growth of 42 bps. PAT came in at INR 16.4 crores versus INR 3.5 crores in previous year same quarter.

For 9MFY '23, our revenue came at INR 2,820 crores, registered a growth of 72 percentage. EBITDA came in at INR 89 crores, registered a growth of 57% and the margin came at 3.15% versus 3.46% in the previous period. PAT came in at INR 43.9 crores versus INR 18.8 crores in the previous year same quarter.

We have considerably reduced our debt level. And at Q3 end, our gross debt stood at INR 73 crores and with cash and cash equivalents, we are at a comfortable net debt position of INR 45 crores. As we improve our revenue throughput and product mix, we expect higher benefits on the working capital front. Our return ratios are also improving, and we expect it to improve in the ensuing quarters and the coming years. Thank you.

**Sukumar Srinivas:** This is all from our end. Thank you for the kind listening. We will be happy to answer any questions that you may have.

**Moderator:** The first question is from the line of Gunit Singh from CCIPL.

**Gunit Singh:** So sir, my question is regarding the margins that you're operating at. So for this year and also for the quarter, we are operating at 3% margin, while pre-COVID around financial year 2017 to 2019, we were operating at 6% to 7% operating margins. So what should be steady state operating margins that we should look at? And do we see us as going back to these margins? And what is the reason for the margins going down? That was also one of the questions.

**Sukumar Srinivas:** Yes. I think we have very clearly stated very much in the beginning of the year that we are moving towards more of a marketplace model, and we are also focusing aggressively on our revenue growth, which has come down quite a bit in the COVID period and maybe a year before that. So we are very clearly focused on rapid revenue growth, and there is definitely the kind of competition that we are facing, thanks to the numerous building material marketplaces and start-ups that have come up. So I think we are very aggressively focused on top line.

And therefore, there is some definitely a slag on the operating margin that has come down. But we are confident that with the kind of revenue growth that we are talking about in the next two to three years, probably the kind of operating margins that we are looking at will come back, may not be to the entirety to the pre-COVID maybe the '17, '18 kind of numbers, but it will definitely improve. Further, we have been focusing a lot on our balance sheet in the lines of bringing down our working capital cycle. So I think that has been the focus of the company in the last two to three years. And I think we have been fairly successful at that. We've also grown substantially. So this is broadly where we are as at present.

**Gunit Singh:** And what would be the internal projections for growth in the next year? And I mean we're not coming at --- come back 6% to 7%. So what would be your internal projection for the steady state margins that we might reach maybe next year or two years from now? And when do you expect us to reach those steady state margins?

- Sukumar Srinivas:** Sorry, could you just repeat the last part of your question, a little louder. I don't know we're getting a very poor audio. So if we can just -- a little louder will help us.
- Gunit Singh:** Sure. So last part of the question is that steady state operating margins that you have mentioned, which you said is maybe lower than 6% to 7%. But I mean what are your projections for the steady-state margins that you will reach probably say, next year or the year after that? And when do we expect to reach these steady-state margins which are higher than what we are doing right now?
- Sukumar Srinivas:** Yes. I think we are very confidently projecting at an EBITDA level, we are at around 3%, 3.5%. We are very confident of sustaining that in the coming year. We are also looking at a further fairly rapid growth in the coming financial year. So I think we would broadly stick to probably in the region of 30%-plus top line growth and around the same 3%, 3.5% kind of an EBITDA level as of the coming year.
- Gunit Singh:** So is that 13% or 30%?
- Sukumar Srinivas:** Sorry.
- Gunit Singh:** The top line growth, you mentioned number is 30%?
- Sukumar Srinivas:** Yes, we are looking at in the 30% to 35% growth in the top line.
- Moderator:** The next question is from the line of Karan Mehta from Mehta Investments.
- Karan Mehta:** Sir, congratulations on a very good set of numbers. Sir, can you explain what has helped us to achieve this sales growth? What has been the key growth drivers?
- Sukumar Srinivas:** Yes. Thank you, Mr. Karan. One of the key factors, I think, is the share demand itself that has gone up, which we had talked about in the presentation is number one. Number two, I think Shankara also has been very aggressive. So I think we would have also captured some, I mean, taking a larger share of the pie in the market. So I think these two factors significantly contributed to the good growth in terms of the revenues.
- Karan Mehta:** Sir, what is our sales mix in terms of steel to non-steel in terms of revenue?
- Sukumar Srinivas:** Yes. The non-steel would be in the region of around 12% to 14%.
- Moderator:** The next question is from the line of Devendra Pandey from DP Financial Advisory Services.
- Devendra Pandey:** So I had a couple of questions. My first question is on the recently announced budget. So sir, what are your thoughts on the recently announced budget? And how will it help the industry or business in general?
- Sukumar Srinivas:** I certainly think the budget is very industry-friendly, number one. Number two, when we look at the kind of announcements, which I mentioned earlier in my speech regarding the kind of allocation for infrastructure, which has been INR 10 lakh crores, I think there is a huge benefit that people like us are going to -- the entire building material industry and the infrastructure,

whether it's steel, cement, etcetera, I think it's going to see a very good upside in terms of the demand. Further, the multiple housing sector allotments in the various Prime Minister schemes that are coming about also seem to be very-very positive for our industry. So I do see that the budget overall has been in a very good budget as far as we are concerned.

**Devendra Pandey:** Can you share demand outlook and business dynamics on retail enterprise and channel side of your business?

**Sukumar Srinivas:** Yes. The retail basically is the kind of walk-ins, the kind of stores, we've got about 90 stores, the walk-ins that come in into that business. And the -- can you just -- Alex, can you just take the one, the retail development?

**Alex Varghese:** For the retail, we are doing around -- our Q3 would be around INR 595 crores of revenue. And if you are seeing the segments, it is around 7.5% segment EBITDA.

**Moderator:** The next question is from the line of Riya Verma from NR Securities.

**Riya Verma:** So two questions. Firstly, if you could throw some light on the digital side of our business.

**Sukumar Srinivas:** Madam, a little louder, we are not able to get you very clearly.

**Riya Verma:** So I was saying if you could emphasize on the digital side of the business?

**Sukumar Srinivas;** Digital size of the business. Right.

**Dhananjay Srinivas:** So currently, our two online sales, general online sales is around INR 80 lakhs per month. But the true number kind of could be a mix because we have this policy of eyeballs to footfalls. So we actually encourage a lot of customers to use our digital platform to kind of understand about the product, understanding the nature, and you kind of bring them into a store to get the real experience. So the true online number would be around INR 80 lakhs, and what happens with a lot of chatting and offline, there are lot of things. We have talk to an expert and a lot of things on our website. So what ends up happening with our customers come offline after doing the preliminary research online.

**Riya Verma:** And secondly, are we facing any challenges on cost inflation for steel products?

**Sukumar Srinivas:** Steel, yes. So it has been a very fairly volatile market over the last 9, 10 months. So it has actually come down continuously. Then now it is slightly, it is stable, again, rising a little bit. But I think the steel business the fact is we've got to sort of live with it. So I think we have -- we've sort of balanced it out trying to hold the kind of correct optimal inventory and so on.

**Moderator:** The next question is from the line of Prafull Rai from Arjav Partners.

**Prafull Rai:** Looking at three, four years down the line, how do you think the business is going to be?

**Sukumar Srinivas:** Four to five years down the line, how the business is going to pan out.. I think we will be a very well-entrenched building material player, definitely higher than the top line, it should be definitely INR 10,000 crores-plus. And we should be much in deeper presence in many pockets



of India, which we are currently. And we also hope by then that our non-steel business will be definitely in the range of 25% to 30% of our total business volume. So this will be broadly the top line approach.

**Prafull Rai:** And also looking at the current fixed assets and everything you have, how much of the peak sales you can do with all these facilities?

**Sukumar Srinivas:** What is the kind of peak sales?

**Prafull Rai:** Yes, you can do with your existing plant.

**Sukumar Srinivas:** So I think, see, with the limited addition in infrastructure, we can easily go up to what the kind of numbers I was telling you about.

**Moderator:** The next question is from the line of Arun Thirumalai from Tavasya Capital.

**Arun Thirumalai:** I just wanted to understand in terms of when you talk about the future growth, right, what is the number of store additions you're looking at? So currently, we're at 91. So how many stores would you look, do you have a breakup in terms of the next three, four years, where in terms of number of stores you want to be? That was the first one.

And secondly, also in terms of steel versus non-steel, so if you can just give us some color in terms of the margin profile in terms of how much is the, say, overall EBITDA is say about 3%. So how much of it would be non-steel, would it be slightly higher than steel? And how does that look in as just if you can clarify?

And also in terms of digital, how much of the percentage, today, it's negligible, I understand. But going forward, do you see digital also in the three five years, what proportion of sales would come from that as well?

**Sukumar Srinivas:** Sure. I think the first question is on what kind of store rollout plan we have. We have been actually in the last four years, we have shut down some stores. We also saw that there is a lot of benefit with the existing stores that we can pull out a lot more top line and turnover with the existing stores. So that is exactly what we've been focused on in the last couple of years, which have provided rich dividend. We are quite confident within even in the next year, we are not very bullish on rolling out very many number of stores. We may just add maybe about three stores in the coming years, three to four stores at best. So I think that is the pace we will be growing at in terms of store rollout over the next three years.

And we also have slightly enlarged the definition of our business where we're looking at it more of a marketplace. So we also feel that today, many of our warehouses are equipped to give a fair amount of direct delivery to various customers. So that we are not counting as really as stores, but there are multiple points where we can give our services to the customers. So that is broadly an answer to your question number one.

I think the second part of the question was some sort of what is the steel and the non-steel kind of the business that we are on currently. So currently...



**Arun Thirumalai;** And also the margin profile, sir.

**Sukumar Srinivas:** Margin profile of the steel and the non-steel, right?

**Arun Thirumalai;** Yes.

**Sukumar Srinivas:** Yes. Steel, there has been a bit of an issue in this current year because we saw much of the first nine months where the prices are generally going down. So that means we do take some hits in our inventory when the prices keep going down. So that is one part which has been factored in our current EBITDA. That is number one.

Number two, when we look at broadly the steel business, we can expect in the region of around 2.5% to 3% in the long run is what is the EBITDA that we can really expect. However, in the non-steel, there is a significant upswing. We are seeing about 7% to 8% in the non-steel part of the business. So this is broadly the breakup in terms of the margins if you look at the future.

**Arun Thirumalai:** And where are we looking at the online, sir, in terms of in the long term, three to five years. So currently, it's only INR 80 lakhs a month, right? So where do we see that going to in terms of do you have any internal target...

**Sukumar Srinivas:** Yes. So I think one of the key things that we need to do in the coming years is we have to market our online presence much more effectively. We have not yet allocated adequate amounts and the budget for the advertising and the branding. Non-steel is now being done through on the digital and so on, which is still a limited reach. So we have been very conservative on our spend in this year and the last couple of years on the branding and marketing spend. So I think as we go forward, we will be more confident to have a deeper budget for our branding and the marketing mix side. So we hope one best that's happening, the digital presence is much more widely advertised.

However, having said that, the digital presence also helps the customers discover us. So what we find is that currently the digital exercise that is huge thing in terms of, it's like a product catalogue that is online. We also have an app which is circulated with a lot of our influencer kind of customers who find it very easy to download the app and go through the range and the variety that is available. A lot of people come offline, and we will shortly, we are just tracking that because we are still in the process of our CRM, full-fledged CRM development. We are putting a lot of money down into the technology part, what we are trying to develop on the back end, both in terms of the continuous improvement on our website, the app and so on.

So I think there's a lot of footfalls that are being driven to the offline, we do, at least about 40 to 50 calls in our the toll line, which are directed from the website generally.

So that is a very encouraging thing, which we consider as a retail sale, we don't really treat that as a digital sale. So digital, what we typically now are talking about where the entire transaction happens through the payment gateway to the digital platform itself. So this is what where we are as far as the digital part goes. But again, one has to keep in mind in building materials worldwide, even if you take some of the advanced countries like America, etcetera, the digital sales of very large building material company is still not significant in terms of their overall revenues. Because

people, if bulky, so people like to see a lot of the material physically. So it works well for smaller items, but not very well for the bulkier and the bigger items where people like, touch and feel of the products.

**Arun Thirumalai:** No, because I was asking in terms of your, you said your geographical diversification, right? So right now, much of it comes only from the South. So I was only trying to because if you have warehouses in major places and you sell it online, so I think in terms of reach to other states could be better. So I think my question is mostly on that. Do you see, in terms of percentage of business coming out of the South, you're trying to increase that targeted lay in terms of where you want to diversify or...

**Sukumar Srinivas:** No, currently, yes, you're absolutely right. We are very focused on the South. And we would further like to intensify our presence in this geography. We still have fairly large vacant spaces as far as the non-steel part of the business goes. So definitely, we would be expanding further. You also had a very good point when you say the digital platform takes you into different territories, which it does.

Very funnily enough today, bulk of our sales happens with the Eastern sector of India and the digital part for some strange reason. So though we don't have a warehouse and we're shipping things out of Bangalore and the closest probably Hyderabad to the Eastern part of the country. So yes, to your point and your suggestion is well taken. Having warehouses in these remote places could possibly generate better sales, which will help on the digital platform.

**Moderator:** The next question is from the line of Nehal Jain from SK Securities.

**Nehal Jain:** So I had a couple of questions. So what is the response of our latest launched app? And like how much revenue are we able to generate via the app?

**Dhananjay Srinivas:** So we've had quite a lot of downloads, we are still waiting for the exact numbers. So we've had a very good response from our customers and influencers because they find it as an online catalog for them to show family members, other people, customers and so on. So we've got a good response in terms of using the catalog and for shortlisting of items. But as we keep saying, building materials is an industry that people want to touch and feel. So we see that after a lot of knowledge and a lot of surveys are done, a lot of checking is done online, people do come back offline.

**Nehal Jain:** As we are majorly South based player, so now are we to add new cities in our portfolio?

**Sukumar Srinivas:** Currently, we have a little, I mean, even our non-steel part is very even more focused, very Karnataka, a little bit of Tamil Nadu, etcetera, centric, Kerala, etcetera. So we do have plans to very shortly open exclusive stores in Coimbatore, Hyderabad, etcetera, Vijayawada and places like this, which will focus a little more on the non-steel part of our business.

**Nehal Jain:** So do you see any difficulty for Shankara to open a store in non-South regions?

**Sukumar Srinivas:** Operationally, we still feel that we've got a much better, I mean we are already well-entrenched in the South, which has a lot, I mean for us, it is still, we feel that there's a lot more ability to

penetrate further into the market. So it's our comfort zone definitely, operationally, warehouse wise, delivery wise, things are much easier for us over here. But definitely, we are looking at MP very seriously. We would like to penetrate a little further interior Maharashtra. So these are the two areas we do have thoughts in the near future.

**Nehal Jain:** So is there like a change in strategy or processes such store opening a store in the new region.

**Sukumar Srinivas:** Okay, the strategy that we adopt before we open. First is, of course, why would I say MP, because we've got a fairly successful both marketplace in Indore. So where we've already got an idea of the market. So basically, we start feeding in with steel, where we get some sort of a penetration in a comfort zone.

And then we will start adding on the non-steel, that is for example. However, if we have to go to a brand-new area where we are just not present, we would start it with a detailed market survey, get into the -- and we do get some help from many of our principles where they also guide us as to saying these areas have the potential is good, etcetera. So I think it's a combined effort with some of our key principles and our own -- the on-the-ground kind of a survey reports and then we decide location and then look to open the store.

**Nehal Jain:** And sir, one last question. Can you highlight more on APL business sale? And like what is the contribution of the business in our top line?

**Sukumar Srinivas:** Currently, we do about 70% of our tube requirements is bought from APL. So in our entire business, that would translate to about, and we also have a non-tube part of the business. So I will just give you broadly these numbers. It's about 40%, 45% is our total contribution of APL currently in the top line.

**Moderator:** The next question is from the line of Ashay Jain from Jain Capital.

**Ashay Jain** I have one question. So what is the broader view on building material industry in general for the upcoming quarters?

**Sukumar Srinivas:** See, what has happened is if you look at the COVID, post-COVID, I think a lot of this year, particularly 2022, has seen a few of projects coming up. Our announcements of new projects throughout, that is the South and for sure and I'm sure in many parts of the country too. But definitely, throughout South India, there has been a slew of projects that were announced about a year ago.

A lot of them are in fruition now. So the demand currently is very focused towards cement, steel, etcetera. So if I take the broad, the bigger-bigger the building material industry in terms of tiles and plumbing and CP sanitary and so on, I think the real demand for those products is really going to kick in, in a very big way from the second quarter of this year.

So I'm very-very bullish about the building material industry in the coming quarters. I know the last year has not been very good for some of the finishing products or the next level products of the building material industry. But I think the next probably after June, I would see a very bullish time for the rest of the building materials that tend to complete the building.

- Moderator:** The next question is from the line of Kanika Kothari from Kothari Securities.
- Kanika Kothari:** So wanted to ask what is your view on the building material industry in general for the upcoming quarters?
- Sukumar Srinivas:** Are very positive, very, I'm bullish. And considering our own current projections and the way the current quarter is also moving, I'm very positive about the building material industry.
- Kanika Kothari:** And secondly, can you give some guidance on the margins for the next few quarters?
- Sukumar Srinivas:** We would keep it, like I mentioned earlier, we will be in and around 3.5% EBITDA broadly in terms of our margin. And top line is what we are really focused on. So for the coming year also, we're very top line centric keeping around in that region of around 3.5% EBITDA.
- Moderator:** The next question is from the line of Vandit Dharamshi from Alpha Invesco.
- Vandit Dharamshi:** Congratulations on the good set of numbers and our highest quarterly revenue. Sir, two, three questions. First is on this competition and start-up space, do you think the competition is now becoming slightly less aggressive in terms of pricing?
- Sukumar Srinivas:** Yes. I would say both. Basically, I think maybe some terms are going up. So yes, I don't think that maybe is lying up, but then there are also other biggies who are coming in like the JSW1 etcetera, where I don't think it will have any other payable issues.
- Vandit Dharamshi:** And sir, the other thing is on working capital. I think we have really managed our working capital well in the last couple of quarters. So would you please can you talk a bit more about our working capital. I mean, how are we trying to keep it controlled, let's say less than 30 days for this quarter?
- Moderator:** I'm sorry to interrupt you, sir. We are unable to hear you clearly. We are unable to hear, your voice is sounding very muffled.
- Sukumar Srinivas:** Is, my voice, clear?
- Moderator:** Yes, please go ahead.
- Sukumar Srinivas:** Okay. So I think in terms of managing working capital, I think the question was that how will we sustain this around 30 days of working capital, is the best working capital which we are at currently. I mean they have come down over the last one year from around maybe around 45 days in the beginning of the year to 26, 27 days and then quarter 3. So I think we are managing, so despite the increase in sales, we are trying to keep our debt broadly at a level of around 30 to 35 days. We're working very strongly to keep our inventory through in the same area. So inventory possibly around 30, 35 days is what we are trying to strike in.
- And we also kept our creditors at a fairly good level. So I think with this management of keeping debt to a large extent at a low and keeping the inventory also at the comfortable level. I think that's a very, I mean that's how we have been working at over these last three quarters. And we hope to sustain to do the same.

**Vandit Dharamshi:** And sir, last one thing from my side. I think I just have one question. You spoke about increasing our spend and promotions and advertising. So could you just quantify it? And what is the kind of number will you be doing for FY '23? And what is the kind of number we look at going ahead, say, FY '26, when we look at the INR 10,000 crores sale, what would be the percentage?

**Sukumar Srinivas:** See, currently, we have like last year, we spent most of it in the digital space in development of our on the technology side, we have spent more than about INR 3 crores in this current fiscal. And the current, coming year, we really not spend much on the plan, actually the statement I mentioned was that we do not spend much and we do not have -- I mean, we've really not allocated much on the branding marketing side. So in the coming year, we hope to add say about INR 2 crores for the immediately for the branding and the marketing side, which is not very much, but we hope that we'll make a start with that. And then slowly work on that forward. We really have not worked out what is the kind of spend we will have four years down the line. But definitely, this is something that I can quantify you for the coming year.

**Moderator:** The next question is from the line of Arun Thirumalai from Tavasya Capital.

**Arun Thirumalai:** Sir, you had guided the top line number, sorry, I missed that. So if you can just repeat that? That was the first one. And secondly, just wanted to understand the business mix. So right now, say, out of the nine months, almost say, 50% is from retail and channel and enterprises are growing faster than retail. So what would be your strategy regarding these? And is there any kind of profitability difference? I'm assuming retail could be better than the other two. But just wanted to understand that.

**Sukumar Srinivas:** Sure. Earlier company have asked me about our top line about what would we be in about three to four years. So I mentioned the number of INR 10,000 crores. So that was probably the part which you missed. And the second one is percentage on the mix and the growth of the retail versus the non-retail part of the business. Then you commented, why the retail has grown faster. Yes, it has grown entire faster than the retail part of the business. We hope to sustain the 50-50 parts of the business which was around 55%, 57% used to be the retail and the balance would be non-retail part. So we hope to sustain that in that broadly between the 50-50 in term of retail. We hardly following that we would like to sustain. And yes, retail margin will definitely better than the channel and the enterprise. But as we have to take it forward on rapid growth, there is a need to push forward very fast on the non-retail part of the business.

**Arun Thirumalai:** Sir, and also on the APL Apollo since they also hold a small stake in the company, do you think, so I just wanted to understand, you're saying almost 45% of the revenue is driven by APL. So will that come at a slightly differential pricing? Or is it like you could do, like your pricing would be similar to any other retailer for APL Apollo or any other channels?

**Sukumar Srinivas:** I mean our pricing would be similar.

**Arun Thirumalai:** So you're not, so it's not inferior or superior to what you would -- what the APL Apollo or other distributors would get because they already have a stake in you?

**Sukumar Srinivas:** Not really. I mean we have done, as we buy the substantial volumes from them, obviously, we are able to come on, maybe a better larger stake. Obviously, we have better range in terms of the

market and we are also present among the destination where most of the other dealers are restricted to that pace So I think we have an advantage both which we provide APL as well as from ourselves because we cover South region.

**Arun Thirumalai:** Sir, and also, are there any other benefits because of that, whatever the stake, what they have in the business. So are you looking at expanding this relationship deeper or is there any thought process on that? If you can put some color. Or would they want to increase their stake in the business further? Or any discussions to that effect?

**Sukumar Srinivas:** No, there are no discussions to that effect. I think probably it will remain at this point.

**Arun Thirumalai:** And so what is the overall capex that you're looking for in the next three, five years to reach INR 1,000 crores, so any significant capex at INR 10,000 crores, any significant capex required or you're covered in terms of the current...

**Sukumar Srinivas:** We do require, I mean, our capex is largely in terms of...

**Moderator:** This is the Moderator. Sir, we are unable to hear you, your voice is breaking and even it is sounding muffled. We are unable to hear you clearly in the call.

**Arun Thirumalai:** Capex, I was talking about capex....

**Sukumar Srinivas:** Yes. So I think the key is capex that we require using warehousing, we will require some sort of while processing in some of the steel items where we can plan, we can do such a small value addition to the end customer. So this is broadly the kind of capex that we're looking now and plus recall whatever we need to set our retail stores in the near future. So we are looking at...

**Arun Thirumalai:** No, yes. So I was asking, would you be able to quantify that?

**Sukumar Srinivas:** Yes, I'm coming to that. I just explained to the needs of the capex. We would be looking at anywhere in the region of INR 25crores to INR 30 crores per year for the next three to four years.

**Arun Thirumalai:** And sir, that can be funded largely through internal accruals, right? You wouldn't need any borrowing.

**Sukumar Srinivas:** Yes.

**Moderator:** The next question is from the line of Vandit Dharamshi from Alpha Invesco.

**Vandit Dharamshi:** I just have two quick questions. First being that by when do we expect the balance money for the warrants that we've issued to receive? I think we still have a couple of months left, I think. But last time, you had guided towards end of this financial year.

**Sukumar Srinivas:** We expect it to come probably in the first quarter of the next year.

**Vandit Dharamshi:** And sir, one more question on our private label, sir. So as we scale, how do we see our private labels play out? Do you think there can be a concept of interest or basically, how do we grow our private labels that we are focusing on that?

**Sukumar Srinivas:** Yes. So we are trying to avoid, obviously, contractor interest with some of our key suppliers. So we do have a couple of areas where we can look at exclusively in some areas, regions where we don't represent some of the key principles. So we are looking at price in terms of one of the private labeling for ourselves. And we do have some of the hardware and the other items where we're looking at private labeling.

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

**Sukumar Srinivas:** Yes. Thank you, everyone, for taking time out of your busy schedules to attend this conference call today. It was a pleasure listening to a lot of you, taking up a valuable suggestion through your questions. And please feel free to approach us or SGA with any questions that you might have further. Thank you very much, and a good evening to all of 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.