Shankara
Building Products Ltd.

Date: 27th December, 2018

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

Scrip Code: - 540425

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

Scrip Symbol- SHANKARA

Dear Sir/Madam,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation.

We enclose herewith, a transcript of the Business Update Conference Call of the Company with Analyst/Investors held on 30th November, 2018.

Kindly take the same on records.

Thanking You

Yours faithfully
For Shankara Building Products Limited

Ereena Vikram

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"Shankara Building Products Limited Business Update Conference Call"

November 30, 2018

MANAGEMENT: **MR. SUKUMAR SRINIVAS - MANAGING DIRECTOR - SHANKARA BUILDING PRODUCTS LIMITED**
MR. SIDDHARTHA MUNDRA - CHIEF EXECUTIVE OFFICER - SHANKARA BUILDING PRODUCTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the business update call of Shankara Building Products Limited. This conference call may contain forward-looking statements about the company, which are based on 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 telephone. 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, Sir!

Sukumar Srinivas: Good afternoon everyone and a very warm welcome to our business update conference call. At the outset, let me assure everybody that there has been no change in the long-term vision and goals of Shankara. We are very confident that given the market potential and the size of the business that we are in we are on the right path to achieve our goals.

As a promoter, I have always been focused on healthy profits, cash flows and capital paybacks. I believe the quality of revenue and a healthy balance sheet helps us prepare for a long runway of growth ahead of us and I honestly believe we are still in the tax paying stages.

In my experience of over 30 years of being in business as a promoter, one fundamental lesson I have learnt is that, every business has its ups and downs, every businessmen tries to build a model that is risk proof and always conforms a well sort out plan. I am convinced and confident that we are on the right track and we shall prevail in our efforts. As you are aware, we had embarked on a significant growth journey on a retail side of our business a few years ago. This is a unique model in India and as I often say we are a start up in the organised building materials retail space.

We are unique in as much as that we are probably creating our own growth path in this business. We have worked in multiple growth levers in our retail business. Adding new stores, upgrading existing stores, adding new products, and undertaking acquisitions. I realise that this has to be sequenced and we cannot grow on all fronts at the same points of time. I believe that it is best for us to see substantive results of activities that we have already undertaken rather than continue to keep pushing ahead. I believe that it is best for us to consolidate our position, focus on a few activities and build on that.

Consequently, I believe that a more focused product category strategy is very much essential, rather than focusing on all categories simultaneously we are better off building scale, category by category. As a case in point, we are bringing in a lot of focus on the plumbing and sanitaryware category, this segment, which was very, very small three years ago, should be doing close to revenues of 200 Crores this year.

I also feel that margins in the retail business have to be at reasonable levels for us to balance customer expectation and our profitability. Pitching margins very high is not a sustainable strategy. We would like to be the best price retail store for building materials in our sphere and build a strong growth trajectory on that. Our investment decisions are driven on three-year paybacks. We continue to focus on that.

We are gaining good momentum on the revenue front; however, on the margins we are seeing some decline, especially in the processing side of our business. The primary reason for decline in the processing margin was due to increase in the steel prices across the last quarter and our inability to pass the increased prices to the end customers; however, these hiccups have been observed in the past and does not change the fundamental working and growth of the company.

In fact, we continue to work on refocusing our approach in our end application and newer uses. Our retail growth looks robust with newer product categories picking up sales. I would like to share some thoughts as on the strategies of the company moving forward.

We have opened five new stores this year and will be opening a couple more in the rest of the year. I believe that our stores that we have opened in the last couple of years need to gain further trajectory and ensure that our three-year payback target are on track. Further I also believe that getting the formula right at a store level is easier with limited number and ensuring a success internally which means that our churn out of store can be accelerated substantially in the near future.

We would like to state that the growth in the newer product category takes time and effort in all aspects. It starts with training our people, sensitizing their knowledge and awareness about the expanded product range as well as the newer customer profile we meet.

We are also in the process of creating greater awareness to our existing customer base about the expanded to the range of products that we are offering. This takes effort and has prompted our need to focus product category by category as we go forward. Trust and convenience has been our key USP earlier; however, we have also learnt that the market share can be gained by also being our best price store. We are very conscious of the fact that customers should not have a perception that a large corporate in this sector is likely to charge higher prices.

We have embarked on a very focused store level branding efforts by organizing continued influencer meets. I also believe that this strategy will have some trade off between revenues and margins in the near term; however, relation building with customers as well as our suppliers will have long-term ensuing benefits for the business.

On the balance sheet front, we are focused on reducing our working capital intensity across our business vertical. We are also encouraging cash sales across our counters and lower credit sales to maintain our debt position. This again will have some trade off in margins but eventually we achieve a healthy balance sheet. These are the measures which we have taken and continue to take will ensure lower inventories, lower bank borrowings and lower receivables by March 2019. I am personally monitoring the same and I am acutely aware that at this juncture healthy cash flow is very, very important for our future plan, and that goes without saying for a healthy balance sheet.

Thank you very much. With this I open the floor for discussion.

Moderator: Thank you very much Sir. Ladies and Gentlemen we will now being the question and answer session. Our first question is from the line of Saumil Mehta from BNP Mutual Fund. Please go ahead.

Saumil Mehta: Thanks for the opportunity. Two questions from my side. One is when I look at your commentary and meeting your management in the past. It looked to be the case where the strategy has now shifted more towards offering the best price which can have certain margin headwinds in my view, what I want to understand is, what is the comfortable range of margin you are looking at as in below which you would want to reduce your strategy or higher than that would you want to pass on to the customer, is that 8% to 10%, 6% to 8%, 7% to 9%. What is the range of margin one can be looking at on a sustainable basis?

Siddhartha Mundra: In terms of our margin profile we are broadly targeting somewhere in the 6% to 8% range, which we feel will be comfortable for us as well as for our customers and ensure that we continue to gain momentum in our overall retail side of our business.

Saumil Mehta: Sir, when you say 6% to 8% is it for the retail business or for the company as a whole?

Siddhartha Mundra: This is for the retail part of the business.

Saumil Mehta: Second question is when I look at your working capital and your total interest what you charge in your P&L while you have been focusing more on reducing the working capital, the net interest expense seems to be going up. This quarter was about 15 Crores on an annualized business it should be about 55 to 60 crores, whatever the number is. What is the total debt number what you have because even in the payables you have certain acceptances, which have an interest component I believe, so as on September end, what was that number and how do you see that number over the next two years given that you will also be opening more stores and there will be certain inventory push because of higher SKUs?

Siddhartha Mundra: Debt number as on end of September was 341 Crores and acceptances at the end of the same period was 189 Crores and in terms of our growth moving forward, as we were mentioning it earlier also, we are looking at substantive reduction in terms of our overall debt levels which we could see by March 2019.

Saumil Mehta: How do you see the two acquisitions because you are taking certain write offs as goodwill impairment, so is that more to do with the branding exercise or there are certain inventory write offs or the receivable write off, how should we look at which would infer that the total acquisition cost for both those acquisitions are now started going up because we might have certain things which you earlier thought those issues might not crop up?

Siddhartha Mundra: This is basically an accounting entry. This is nothing to do with the business or the way the business is panning out. When we conducted a valuation exercise for the brand what we basically understood and what we communicated was that over a three-year period we would be transitioning these brands to a Shankara Buildpro brand and hence these brands will not be in existence and hence need to be amortised over a three year period. So, to my mind this is a non-cash itemand just an accounting entry. It has no implications on business in that sense.

Saumil Mehta: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Parthiv Raj from Unifi Capital. Please go ahead.

Parthiv Raj: When you said we are focusing on reduction of working capital and increasing in cash sales in the retail business, do we have any measurable target number, you know, on a number that you are working on, say some 30 receivable days by the end of March, something of that sort, can you quantify that number?

Siddhartha Mundra: We are looking to take it to a number of around 25 days.

Parthiv Raj: This is by March 2019 or next year?

Siddhartha Mundra: Yes, March 2019

Parthiv Raj: On the credit and cash sales mix in the retail business, so how do you want the ratio to be going forward?

Siddhartha Mundra: Since, there is some element of credits that is involved in our business. We want to take it to 70:30 kind of a ratio.

Parthiv Raj: On the channel and enterprise business, the steel prices are further falling down, so how do we see the margins going forward, I mean, are we expected to see further decline in the margins or are we in a position to pass on now?

Siddhartha Mundra: As you would be aware, a large part of the channel and enterprise is linked to our processing part of the business, 80% of revenues from this is our own products, weakness in the processing side will continue to impact channel enterprise margins and we believe that at least a couple of quarters will be required for us to see where this is headed.

Parthiv Raj: Thank you Sir.

Moderator: Thank you. The next question is from the line of Mithun Soni from GeeCee Investments. Please go ahead.

Mithun Soni: When you say 6% to 8% margin for the retail segment, do you mean EBIT margin or EBITDA because last year you had 10.7% EBIT margin as we see, so 6% to 8% is a huge reduction supposedly, probably at a net profit level it would lead to a severe dent. So that is one question. Also, does this show that the competitive intensity has galloped to an extent that we are just unable to do the business at those margins because we are not seeing a jump in sales of disproportionate levels to showcase that dropping margin is giving an impetus to sales. So that was number one. The number two is when you are saying debt targets, we have 341 Crores as debt and 180-Crores as acceptance, what would be that number by the end of the year, the total of 520 Crores would it be 400, 450 Crores and what is the average rate of interest? Third is what is the topline guidance you can give for the retail segment?

Siddhartha Mundra: We are looking at overall revenue on the retail side of around 1500-odd Crores for the full year.

Mithun Soni: Okay and next year?

Siddhartha Mundra: We broadly will be targeting 25% plus growth. In terms of the overall debt levels and the acceptances, we broadly will be looking at around 400-Crores kind of a number as an overall number.

Mithun Soni: Would that be sustainable throughout the next year and what would be the rate of interest?

Siddhartha Mundra: Rate of interest will be around 10% to 11% and that is something that we would want to maintain or possibly reduce going forward.

Mithun Soni: The first question on margins?

Siddhartha Mundra: Margins is something that, as we have been saying that there is a bit of two things that we have been working on in terms of pricing as well as in terms of balance sheet. There are certain imponderables in that sense out there, but I think, it is important for investors to have some anchor points in terms of where the margins can settle. It is in that context that we have given out this kind of margin guidance. These are EBITDA margins. These are segment level EBITDA margins that we are talking about.

Mithun Soni: So, at the EBITDA level there is almost 400-basis point correction we should anticipate. Last year was upward of 11% and 6% to 8% means roughly between 5% to 4% would be the reduction in EBITDA margin and it just sounded a little significant so we just wanted to re-verify is that correct.

Siddhartha Mundra: At the company level we should assume an overall margin of around 4.5% to 5%.

Mithun Soni: Thanks.

Moderator: Thank you. The next question is from the line of Pritesh Cheddha from Lucky Investment Managers. Please go ahead.

Pritesh Cheddha: Sir first question is linking margin or let us say profitability gross margin number reduction in retail versus reduction in trade payables. So generally when you draw down your trade payables, which means you get an extra cash discount, is a normal parlance that we understand, then if that is the case, then why should there be a reduction in margins so that is my first question, and I am slightly confused here if you could give us some thoughts there?

Sukumar Srinivas: Sure, now in this particular case and we see that the trade payables have come down, see one of the key things is we are developing so many new relationships across the board with so many new very large players, so we believe that in the early stages when you have a disciplined payments schedule with these kind of suppliers, I think it pays off very well in the long run. Long run what I mean is a period of a year or so. So, I do believe that the same things will start moving upwards in terms of of making cash payments, etc., with the suppliers, the margins will start picking up subsequently.

Pritesh Cheddha: But the new relationships are so significant enough that it draws down your or let us say it does not generate you any margins, let us say it does not lead to reduction in margins?

Sukumar Srinivas: No, it does not lead to reduction in margins immediately but these new relationships in certain or newer categories like in faucets, etc., a very, very, important in terms of the long-term growth of the company. So when you are looking at certain super brands or certain brands with which we like to be associated with I think there is a part of a give and take that we have realised and understood over the course of the last year up to and we have intensified our retail business so as I have always mentioned that we are evolving, we are learning, we do not have a pre-set complete understanding of the sales across so many verticals, so as we are learning, that we understand that these relationships are extremely important, so we have to give a little to take in the future.

Pritesh Cheddha: But in a growing sales reduction in trade payables actually means that you are getting lesser credits from even the existing suppliers? Generally, that is how we do?

Sukumar Srinivas: I do not think so. We have taken a conscious decision in the last quarter that we will reduce some of the payables. Payables is a notional thing that anyway you are deferring the payment. This is my personal belief. If I had to bring my entire bank and everything down, I am just deferring the payments, if we are paying today, I am going to pay 30 days later or 60 days later. So when the cycle keeps clocking back ultimately in that period as my payments will be greater, so we look to call that we will also look at consciously reducing some amount of creditors and then consolidate the working capital and bring it to a much, much more comfortable level, so we have a much healthier capital situation at that point in time so instead of just deferring the payments.

Pritesh Cheddha: Here you are taking a double impact, you are reducing your payables and you are increasing your debt and working capital?

Sukumar Srinivas: I request you just wait patiently till FY2019 March, I think you will see a difference in the balance sheet.

Pritesh Cheddha: Okay. My second question is on growth. So, when I am trying to connect the dot, I am not able to understand. We had a 20-store addition program when we started the year, we were communicating about 10 stores and now we are communicating seven stores and sometime back you know we were gung-ho on that growth, we were willing to acquire new businesses. We wanted to raise some equity capital to acquire businesses, so there was a growth in the sector because it is unorganised. From that prognosis to a lower growth so what has gone through the strategy or what has gone through management's mind to change it so drastically?

Sukumar Srinivas: As I mentioned in my opening remarks, that we have slowed down on the retail store growth primarily because, we have started focusing on a product category instead of going across the board, it will be product category by category. So that is one very, very important thing that we have done. We also believe, and I personally believe irrespective of that the payback is very, very critical, so we have already taken or undertaken as a theme that we will get a three-year payback on the store that we open. So, I am very particular as a promoter that this objective is achieved at the end of the day. So there was a very bullish program last year when we did open the 20 stores, we were hoping to open about 10 to 15, we may still land at about around 10 this year, so we have slowed down marginally because we believe that the paybacks have to be met, b) when we are adding so many products, formats, like I mentioned earlier that we are still a three-year old startup as far as this part of this business goes, so I think it is also fair that we also learn the business and we evolve as we have been mentioning that the model is not quick, if I have 20 more stores, I have 100 stores more or 200 stores at a time to upgrade and get a model to fix is that much tougher. So, I believe having a lower number executing correctly, executing well, I think it augers well for a much accelerated, a greater accelerated growth in the near future.

Pritesh Cheddha: This reduction in margins, which you are pointing at, is retail so you said, I should not link payments, let us say creditor days reduction with the reduction in there is no linkage there, and so this reduction in gross profit margin is a conscious one?

Sukumar Srinivas: Yes it is a conscious one, where we believe that we have to add price, say a year and a half ago, a year ago, we believed that the trust in the USP of being a unique kind of a multiple offering store could do this trick with keeping the prices constant but we also believe that we have to keep the value on with the customer, so I think, we have realized that we need to pass on a slightly better margin for the customer acquisition.

Pritesh Cheddha: So, just a connecting one here, if this is a conscious decision and you are playing a best price policy, why does not it translate into a better growth forecast for you, because again these two things do not connect?

Sukumar Srinivas: We are looking at a 25% to 30% which I think is quite substantial and I think that is the capacity we have at this point in time.

Pritesh Cheddha: Ideally the growth should accelerate on such strategy?

Sukumar Srinivas: It should.

Pritesh Cheddha: So, we do not believe that the growth will accelerate on this strategy or we are communicating a slightly lesser number?

Sukumar Srinivas: We are not communicating a lesser growth. We are talking of 30% which is quite substantial in the retail space.

Pritesh Cheddha: That 20% SSSG number does not change in your forecast despite the change in strategy? Your 20% sales growth number on SSSG should ideally accelerate when you induce this strategy of reduction in margins?

Siddhartha Mundra: I think I would request if you can please give us time to execute these plans. We have a lot of plans in mind, all of this cannot be borne out on excel sheet.

Pritesh Cheddha: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from ValueQuest. Please go ahead.

Chirag Lodaya: Thank you for the opportunity. Sir, when you said 1500 Crores sales in retail this year and on a full year guidance you mentioned 6% to 8% margin, so you are indicating second half retail growth is just 10% and incremental margin would be in the range of 5% to 6%. So, what has changed in H2 versus H1?

Siddhartha Mundra: These are margins that we are seeing from a perspective where there are a few imponderables out there. I think what we have heard back from investors is that there is certain kind of a band that people would want to operate with is more of an operating band. As I said, there are a couple of things, we are working on, on which we will come to know of the impact of that in the next couple of quarters. This is more of a heads up where it could head, and that is what it is.

Chirag Lodaya: Secondly, as you mentioned you will be focusing on category by category, so which are the two three categories which you are focusing in short-term now?

Siddhartha Mundra: As we mentioned plumbing and sanitaryware is the category that we are focusing on. That is the one core category focus for us apart from our regular product categories of our steel and fabrication.

Chirag Lodaya: Out of the total retail sales today how much would be contributed by this new product?

Siddhartha Mundra: 13%.

Chirag Lodaya: 13%, it is like 1250 Crores last year you did, and you are talking about 160 Crores and in the starting of the call you mentioned plumbing and sanitary is around 200 Crores so slight disconnect here? Is, there other categories, we are not able to scale up till now. Is it a fair assumption?

Siddhartha Mundra: That we are talking of the end of the year number. What we are talking is as of now.

Chirag Lodaya: Still 1500 Crores into 13% new products comes to 200 Crores and plumbing and sanitary itself is a 200 Crores business?

Siddhartha Mundra: It will be possibly little more.

Chirag Lodaya: Thank you. That is it from my end.

Moderator: Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: I just wanted to understand the comment about we want to take things one at a time were you indicating towards only the product category or even otherwise, if you could clarify that.

Siddhartha Mundra: Avi there are three, four things that we are working on. We are working on new stores, we are working on upgrades, we are working on product categories and we are working on acquisitions. So, what we want to do is we want to sequence this out rather than doing everything at a same point of time. There is frittering away of bandwidth that happens when we focus on too many things. As of now we want to focus on a category-by-category basis, plumbing and sanitaryware are to our mind is the most logical category for us to focus on. It is contiguous to our existing product category. That is what comes up immediately after the base construction materials are put in place from a construction perspective and that is what we are looking to focus on. Having said that it is not that if somebody comes to a store looking for other product categories, we will not sell that, but yes, proactively our focus will be more on the plumbing and sanitaryware segment.

Avi Mehta: So essentially you are honing your focus to kind of ensure the execution is of the entire theme is on that particularly that you said.

Siddhartha Mundra: Yes.

Avi Mehta: Second is on the guidance that you gave on the margins. Now you have indicated a 6% to 8% in the steady state, would it be fair to assume this to be kind of base case right now, which because you have highlighted there is many imponderables. So is this like the most conservative number that you can look at or is there a downside or is there an upside. How should I look at it?

Siddhartha Mundra: I think this is a fair estimate you can take it.

Avi Mehta: So, it kind of builds in all the negatives and potential upside is how I should take, that is what I was trying to get?

Siddhartha Mundra: Upsides are something that we continue to believe in. There are significant upsides for us, but, let those play out before we kind of start accounting for that.

Avi Mehta: Lastly on, you have highlighted 25 days, if you could just clarify what was that? I missed that.

Siddhartha Mundra: Debtor days on the retail side

Avi Mehta: Do you have a similar guidance for working capital days as well? I mean would you have a reduction in creditors with the corresponding aspect and hence working capital remain around the 50 to 55 days for the business?

Siddhartha Mundra: No. We are working on it.

Avi Mehta: So, is there guidance for that also Siddhartha or how should I look at that because your debt number and this number were pretty indicating the moderation, so how is it?

Siddhartha Mundra: Overall numbers that we have indicated of around 400 to 450 Crores is something that we are working towards.

Avi Mehta: That is all from my side. I will come back in the queue Sir. Thank you.

Moderator: Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: This is Maulik here. Couple of questions and I am a little shocked to on that change in the strategy side. Number one there is no margin pressure we can see it in the last reported numbers in the retail segment, though I understand there was some margin pressure in the processing side of the business and probably some on the channel side of the business but there was no margin pressure, you are still growing at an healthy around 15% to 20% topline growth in retail segment and what we understand that so far I think the transition from the construction material to the home improvement category was going well though there could always been a hiccup, but what it led to, two things that still probably trying to get that answer, so moving from 10% of your margin in retail, which is again on a blended on both processing and the retail, we are moving to 6% to 8%, overall margin from 7% to 4.5% and is this margin guidance only for one year of FY2019 or is it probably two-three years you are looking at this range only?

Siddhartha Mundra: This is for the near term. As you rightly pointed out there is a certain element on margin on the processing side as well. We are not sure of our weaknesses on the processing side also that impacts margins across the entire business and in addition on the balance sheet side, the work that we are looking to do that also creates some sense of an imponderable and that is why we want to give I would say a reasonably.

Sukumar Srinivas: I would say Maulik this is more for the near term. We obviously, everybody and we also are working hard to make sure that there is an uptake in the near term.

Maulik Patel: On when you say the balance sheet side, and I think there was a question from Pritesh earlier that if you are going to reduce your payable days including the acceptance? Are you going to pay, frequently in a lower day to suppliers than what you are paying it currently?

Sukumar Srinivas: Yes.

Maulik Patel: So, then your discount what has been offered to the supplier to you it will probably go higher, if you are paying to the supplier, faster than the earlier, the supplier will give you more discount, so it would not impact the margin?

Sukumar Srinivas: Please bear with us for this few months and then let us probably reach or discuss the same issue in March.

Maulik Patel: Thank you.

Moderator: Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor: Sir, just on margin again, just had one question. Sir, the guidance that you are talking about is will the fall on the retail margin from the Q2 levels be immediately to 6% to 8% or would that be more you know would happen over quarters? My question is based on the fact that since you are going a little slow from a category perspective also and you are matching your balance sheet would that take time for it to come off immediately or would that take time to come off or would it happen see immediately over the next one or two quarters and then probably stabilise?

Siddhartha Mundra: It will happen immediately in the next one or two quarters.

Harit Kapoor: Understood and would this also mean that from acquisition perspective, you would kind of relook at that and take your time on that before you take some steps forward on that front before, you would like to finish this change in model before you kind of look at new acquisitions?

Siddhartha Mundra: Yes absolutely.

Sukumar Srinivas: Actually, yes and no Harit. Because we are still very bullish and we do believe that acquisitions are very important as part of our strategy so there could be another thought that we are toying with is if we are able to conserve in a working capital, we at least start looking as to see whether we can like what we did in the previous year look at small acquisitions through our own cash flows.

Harit Kapoor: Last thing was on the processing side, now if you do see a change in steel prices in terms of a positive effective, would you see an immediate margin improvement on that front or do you think the issues are over and above that also so it to take time to kind of play itself out?

Sukumar Srinivas: I think it would take time to play itself out because there has been an increase intensity also in the market place as far as the tube and the processing which feeds some of the channel and enterprise part of the business, so we are working towards focusing more on the specific categories of products where you know the margins remain largely untouched, so there is a lot of rejigging, reworking that is continuously happening on that front and I hope that the next quarter bears out whatever we are trying to do in the current phase.

Harit Kapoor: That is it from me. Thanks.

Moderator: Thank you. The next question is from the line of Nimit Shah from ICICI Securities. Please go ahead.

Nimit Shah: Good afternoon Sir. Sir, the margin hit, which you are talking about, is only because of the cash discounting and the value proposition, which you are implementing?

Siddhartha Mundra: It is a mix of that, some bit on the processing side also because it is QoQ margins and some in terms of one is an upfront discounting and the other is in terms of some of the other programs that we conduct on our stores, there is certain amount of expense that happens through that as well, so a mix of both.

Nimit Shah: But again, repeating to the same question, like sudden sharp decline in margins like it has not I think understandable because in first half also our margins are at 10% and we have seen the impact of the processing margins fall in Q2 as well, so despite that our margins were at 9.7% because I think if you see on an annual basis also on the retail side, we in FY2016, FY2017, FY2018 we did around 10%, so this 6% to 8% margins I think that number which we were talking about that we were doing somewhere in around FY2014-2015? So still I think I am not clear about why such a sharp reduction both at the consolidated level as well as the retail level and what is the guidance on the margins for the channel and enterprise business as well?

Siddhartha Mundra: Broadly the way we look at it will be around the 6% to 8% for the retail side it will be around 3% to 5% for the channel and enterprise side, blended EBITDA margins for the company should come it at around 4.5 to 5%. So that is the broad breakup.

Nimit Shah: At the company level you said 4.5% to 5%?

Siddhartha Mundra: Yes.

Nimit Shah: So from 7% in FY2018 it will come down to 4.5% to 5%?

Siddhartha Mundra: Yes.

Nimit Shah: Sir, how do you intent to reduce the debt by 100 Crores in the second half?

Siddhartha Mundra: There are a lot of things that we are looking to do. Inventory is a reduction that we are very consciously focusing on. In addition to that debtors is again a very sharp focus area so on both of these we are looking to work very, very closely and in a focused manner.

Nimit Shah: Sir, if I see the acceptance that is the trade payables it was say 460 Crores in FY2018 March, and the breakup of that was acceptance of 182 Crores and the other creditors was 278 Crores and at the end of September your acceptance have remained the same, but your creditors have fallen quite sharply, so I think from 278 Crores your acceptance that is the pure payables are down significantly, so any reason why such a sharp reduction in payables in this six months period? So, if you keep the acceptance constant, your creditors are down significantly in this first half?

Siddhartha Mundra: See, as we have mentioned earlier as well there is a certain overall working capital that we have broadly targeted, when you look at the creditor period that was outstanding as of end of March it was also a reflection of the overall debtors that we have and in some sense we were trying to balance both of them out, now we are working on reducing both of them and we are reducing debtors as well as reducing payables that is something that we are working on, and we believe there has been a sharper reduction on the payable side, and we will see how that kind of works out over the next six months as at the end of March but broadly it is a reflection of the overall debtors and the creditors management.

Nimit Shah: Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference back to the management for closing comments. Over to you Sir!

Sukumar Srinivas: Thank you for joining with us. I hope we have been able to answer some of the queries at least, and in case you require any further details please contact our Investor Relation Advisors, Strategic Growth Advisors. Thank you so much.

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