"Shankara Building Products Limited

Q4 FY24 Earnings Conference Call"

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MODERATOR:	**MR. MIRAJ SHAH – ARIHANT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Shankara Building Products Q4 and FY '24 Earnings Conference Call hosted by Arihant Capital. 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. Miraj Shah from Arihant Capital. Thank you and over to you, Mr. Shah. Please go ahead.

Miraj Shah: Thank you, Ranju. Good afternoon and a very warm welcome to everyone to the Q4 and FY '24 Earnings Call of Shankara Building Products. Today, from the management, we have Mr. Alex Varghese, CFO and Mr. Dhananjay Mirlay Srinivas, Vice President. Thank you for allowing us to host you once again, sir. And without further delay, I'll hand over the floor to Mr. Dhananjay. Over to you, sir.

Dhananjay M. Srinivas: Thank you. Good afternoon and a very warm welcome to Shankara Building Products Limited Earnings Conference Call for the year ended 31st March 2024. Joining me today is Mr. Alex Varghese, our CFO.

Before we begin, I would like to remind everyone that this call may contain forward-looking statements, which are predictions, projections, or other estimates about future events. These statements are based on management's current expectations and involve risks and uncertainties that could cause actual results to differ materially.

Our presentation for this call has been uploaded to the exchange. I hope you have all had the opportunity to review it.

The fiscal year 2024 has presented several challenges for the entire building materials and construction industry. Along with high interest rates and persistent inflation, the year further unfolded with adverse climate conditions with flooding in few pockets and subsequently softened construction activity and discretionary spending from the ongoing elections.

Despite this, FY2024 was indeed a successful year for Shankara. We achieved our highest ever annual revenue and profits during this year. Our FY2024 revenue grew by 20% to INR4,828 crores during the year. Our steadfast commitment to profitable growth has yielded in profit outpacing revenue growth, due to an enhanced contribution from value-added steel and non-steel offerings. Our EBITDA increased by 25% to INR156 crores, while our net profit increased by 29% to INR81 crores. Our EBITDA margin was 3.2%, marking a 12 basis point increase from last year. In addition to our strong brand value in the South and our robust operating model, this growth has been possible primarily with strategic initiatives implemented over the past few years. This has made our business model more resilient, enabling us to navigate industry headwinds successfully. I would like to take this opportunity to talk upon a few of these steps and how it helped us.

First, we had the expansion of our steel offerings to include a diverse range of value-added products. Traditionally, our revenue stream has been heavily reliant on steel tubes and pipes, where we already command a sizable market share in the South. We have taken a conscious effort towards adding more products in our steel portfolio, which includes TMT, roofing sheets, flats, and longs. We have also forged good partnerships over the last few years. Our steel volumes during the year were at 6.5 lakh tons, an increase of 27% year-on-year. A substantial portion of this volume growth is attributable to our value-added steel products, which witnessed a 43% growth compared to our pipe and tube volume growth of 20%. An aggressive push of value-added steel products to our existing customers and through our omnichannel presence has increased our market share in this business. This has improved our EBITDA in the non-retail segment from 1.1% in FY 2023 to 1.5% in FY 2024.

Secondly, our continued focus on expanding our non-steel share has seen the business grow at a CAGR of 50% in the past 3 years and 30% in FY 2024. We have seen a healthy growth across all our product verticals of plumbing, fittings, sanitaryware, tiles, electricals, and paints. In addition to strong brands that we house, we have also been expanding our partnerships with marquee domestic and international brands in the segment. We have added 2 exclusive non-steel stores in Chennai and Morbi during the year and converted 3 of our existing stores in Karnataka to hybrid stores comprising of both steel and non-steel products in April 2024. Currently, our non-steel offerings are present in 35 out of our 91 stores. Hence, we believe we have a significant runway without a need to aggressively open new stores. Our gross margins in non-steel have been in the range of 10% to 12%. I'm glad to share that as we expand our scale in this segment, our EBITDA margin has also shown improvement, reaching 6% during FY 2024 for non-steel.

Point number three, our private label Fotia Ceramica in the ceramic business has demonstrated a stellar growth of 50% in the second year, achieving INR116 crores top line. We have achieved sizable growth in Kerala and Tamil Nadu markets and now are focusing on Karnataka, Telangana, and Maharashtra in the coming year. We will also be inaugurating our display center in Morbi by June 2024, which will further strengthen our presence in this segment and support our plans to go pan India in the coming years.

Point number four, along with our growing value-added products, another key enabler for our growth has been our efforts to enhance our presence outside of South India. Over the past year, we have achieved strong growth from Maharashtra, Gujarat, and Madhya Pradesh. Our Western and Central India operations have grown by 46% and 39% year-on-year, respectively. Our share from West and Central has been 14% of our total top line in FY '24 and we expect continued growth momentum from these regions.

While we are focused towards a sustained and profitable growth, we continue to be mindful of keeping our balance sheet efficient with an asset-light model for store expansion and better working capital management. Our outgoing efforts include fostering and fortifying relationships with key suppliers to ensure adequate credit availability. We pride ourselves in building a robust supply chain to facilitate and expedite delivery while optimizing our inventory levels. This contributes to keeping our working capital at around 30 days.

Our net debt level stood at INR49 crores by March-end compared to INR71 crores in the previous year. Our cash and bank balances for the year stood at INR34 crores compare to INR12 crores in the last year. The return on capital employed improved to 18% as compared to 15% in the previous year.

As you would all be aware, in order to simplify our business structure, we have taken a step towards demerging our building materials marketplace business, which has consistently delivered significant value. We have provided an indicative split of revenues for our marketplace and manufacturing business, standing INR3,836 crores for our marketplace and INR993 crores for our manufacturing for the fiscal year of 2024. The Marketplace business is poised for higher margin accretion and enhanced return indicators with focus on value-added avenues. The manufacturing business will benefit from a focused management team, working to optimize operational efficiency and competitiveness. Our aim is to create substantial value for our shareholders in the years ahead. Our demerger scheme is currently waiting for approval from SEBI. We believe the entire demerger process should be implemented by Q4 FY '25.

For the coming year, we believe the construction industry will continue to be a focus point post-elections. We are well positioned to capitalize on the opportunities in the construction and real estate sector. We continue to work towards strategic opportunities in the e-commerce space to bolster our omnichannel approach. And we believe with a strong foundation and ongoing strategic initiatives are aimed to continue our growth momentum. We will continue with the focus on improving our margins.

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

Moderator: The first question comes from the line of Gunit Singh with Counter Cyclical.

Gunit Singh: Sir, so in the beginning of the year, Q1 FY '24, we have guided that we are looking at 20% to 30% CAGR and an outlook of 10,000 crores revenues for the coming say, by FY '28, FY '29. Considering the performance in FY '24, where we saw a top line growth of about less than 20%. So I mean, I just want to understand what led to slower growth than what we had projected in the beginning of the year? And looking at the current scenario, what kind of growth numbers are we looking at? Are we still on track for the 10,000 crores revenues in the coming 5 years?

Dhananjay M. Srinivas: Sure. So I'll just address this in 2 points. First point, we did grow at 20% for the last year when you look at year-on-year. And to say why maybe that CAGR, what we expected did not come in is. As you have probably seen from the other companies and from other results this last few months, there has been more single-digit growth across the industry. We are still been successful in a dry market condition and have grown at 20%. So I believe that with improvements coming in the market in the following year and things that I think streamlining after elections. We should be on track, and we still look at continuing at that CAGR of 20% to 30% for the coming years.

Gunit Singh: All right, sir. What kind of margins are we looking at for FY '25 going forward, looking at the current market conditions?

Dhananjay M. Srinivas: So what can also happen, I think, with this year with the demerger coming in, there will be a bit of a separation in our EBITDA. But as you look at the marketplace model, we are looking at 3.5% to 3.75% EBITDA.

Gunit Singh: All right. And sir, like on a consolidated basis currently for both the divisions?

Dhananjay M. Srinivas: I think consolidated would come to around 3.5%.

Moderator: Next question comes from the line of Rahul Dhruv with Pegasus Group.

Rahul Dhruv: I was just wanting to get a little bit of an update on the hybrid stores that you mentioned, which are around 35 right now. So what's the kind of capex that goes into making it a hybrid or making it into something where you can sell steel and non-steel products, a, and b, what out of the 91, how many do you think can really get to that level?

Dhananjay M. Srinivas: Okay. So first of all, not all 35 of our stores are hybrid, around 6 stores are exclusive non-steel stores, whereas the remaining 29 would be hybrid. The capex per hybrid store, depending on the size, we look at an average of around INR2 crores to INR3 crores, but looking at INR2 crores for a hybrid model. And that usually has to do with interiors and finding a better entry and type of interior feel for the non-steel products as they differ from the steel experience.

Out of our 91 stores, I think we could see maybe another 30-odd stores being in good locations and good spaces and markets for a hybrid model. As we advise around 2 to 3 stores per year because we do feel that we can still get a lot out of the existing stores. And we are looking at new territories and strategically growing the hybrid stores.

Rahul Dhruv: Okay. And secondly, sir, in your fourth quarter, margin for retail was around 6.4%, which I think is the highest that we've seen in the last almost 12 quarters. So I was just wondering if this is as a number because we've always been between 5.1% and 5.8%. Is this -- is there a one-off here? Or is it something is sustainable?

Dhananjay M. Srinivas: So we have seen a better response in the market for Q4. And also the share of non-steel and value-added steel were higher in our retail segment. Obviously, that has definitely accredited to the increase in the retail margin percentage. We do feel it's sustainable. I think going forward, we should definitely aim for between 6% to 6.5% for the margin profile.

Rahul Dhruv: Great. I just have one more question and this is regarding the SKUs, which you have been mentioning it around 1 lakh SKUs. Can you give me some idea in terms of how many of them are there in a hybrid store?

Dhananjay M. Srinivas: So hybrid store will probably cater to around 70,000 to 80,000 in terms of SKUs, but a lot of it would be display SKUs, not everything is in stock in hybrid store. As you know, steel is more of displayed in every store while as the non-steel works at a hub-and-spoke model. So, if you look at display shelf, we would definitely have 70,000 to 80,000 SKUs in a hybrid store. But if it comes to stocking, it would be probably down to 15,000 to 20,000 SKUs.

Moderator: Next question comes from the line of Rishikesh Oza from RoboCapital.

Rishikesh Oza: Sir my question is with respect to the steel and non-steel business. So can you please guide on the growth rate going ahead, our revenue growth rate for our steel business as well as non-steel business in FY '25, FY '26? And also if you could guide for the EBITDA margin for both these divisions?

Dhananjay M. Srinivas: Okay. So for steel, we are looking at 20% to 25% CAGR. Whereas for non-steel, we are definitely looking at a 30% to 35% CAGR for the coming years. When it comes to the EBITDA margins, steel EBITDA is currently around 2% to 2.5%. And whereas non-steel is 6%. We are hoping that as non-steel scales up as you get more economies of scale that could push up to 6.5% to 7% in the coming years.

Rishikesh Oza: And steel would be in the same range?

Dhananjay M. Srinivas: Sorry, I couldn't hear you.

Rishikesh Oza: Your steel EBITDA margin would be in same range 2% to 2.5%?

Dhananjay M. Srinivas: Steel EBITDA margins would be…

Moderator: Ladies and gentlemen, the management line has been disconnected. Please be in hold, while we quickly get reconnected. Ladies and gentlemen, the management line has been reconnected. Please go ahead.

Dhananjay M. Srinivas: Are we still on the call with the gentleman who were asking about the EBITDA?

Rishikesh Oza: Yes, sir. So you on the steel EBITDA guidance I'd asked for?

Dhananjay M. Srinivas: Yes. Sorry. So we're talking about a steel growth of 20% to 25% CAGR with an EBITDA margin of 2-3% and we're looking at non-steel at a growth of 30% to 35% CAGR with an EBITDA margin of 6% to 6.5%.

Rishikesh Oza: Okay. Okay. And one more question. What's the ROCE target for FY '25 as well as FY '26?

Alex Varghese: ROCE at present is around 18 percentage. So post demerger, then the figure may change. So, post demerger, we are expecting that marketplace business will be around 28%, whereas the existing SBPL will be around 4-5%. On an average, it will improve from 18% little bit on a consol level.

Moderator: Next question comes from the line of Deepak Poddar with Sapphire Capital.

Deepak Poddar: So just a clarification. I mean you mentioned about 3.5% to 3.75% some kind of EBITDA margin outlook. So did you mention it on a consolidated basis or on the marketplace, the demerge entity, that outlook?

Dhananjay M. Srinivas: So in the marketplace, we're talking about 3.5% to 3.75%. And on a consolidated, we're looking at 3.3% to 3.5%.

Deepak Poddar: 3.3% to 3.5% on a consolidated basis?

Dhananjay M. Srinivas: Yes, on a consolidated basis.

Deepak Poddar: Okay. Okay. And sir, can you throw some more light, we are talking about only 2 to 3 stores opening, right? But in spite of that, our growth, we are talking about much higher growth in terms of 20% to 30% CAGR. So what will drive that growth? I mean if I have to pinpoint top 2, 3 reasons that will drive this growth in spite of lower store count. I think one of the reasons you did mention was about going deep or making existing store larger. So more elaboration on that would helpful.

Dhananjay M. Srinivas: So 2, 3 things. I think one would definitely be adding a few more hybrid stores of 2 or 3 like we are guiding. Second would be our average ticket size has also increased, so definitely getting a bigger share of wallet from customers. We also do have a larger mix of products coming in. So now we do have a lot of runway and growth for electrical, sanitaryware, paint and tiles, all those verticals, which will again see more business from those stores. And as you've also seen, we've had a very big growth from the Western and Central regions, which will continue to grow rapidly and aggressively. So that would also consolidate and help us in our overall growth turnover.

Deepak Poddar: Okay. And all these 3 or 4 combination of factors will help us reach the target that we are kind of...

Dhananjay M. Srinivas: Yes. Definitely, I think all of it at different percentages will help us. And we are also looking at opening stores. It's not that we're not looking at opening any stores. We are looking at opening stores in strategic locations where we feel that we can get a quicker return and quicker growth in those stores. So that's why we are saying 3 to 4 stores or 2 to 3 stores.

Deepak Poddar: Okay. And just one last thing on the demerger. So post this demerger, the management would be entirely different handling. I mean, different management would be handling this individual company that will be created.

Dhananjay M. Srinivas: Yes, the structure will be shared. It would be -- I think, obviously, the Managing Director would remain the same for both entities, but we are looking at bringing in a few more directors and also separating the manufacturing and having a separate focus team for that business. So this will be shared within a quarter or 2 as we are getting more into the process and separating the structure.

Deepak Poddar: Okay. But have we did any analysis, what would be the extra overheads that we can envisage once because of these changes?

Dhananjay M. Srinivas: We're not really looking at any extra overhead. I think it's just reshuffling of the existing team that we do have with more focus on certain lines for the existing team. So there may be a few additions but not really too much of increase in overheads. As we come out in quarter 1 and in the next 2 quarters, I think that will all be more clear.

Moderator: The next question comes from the line of Siddharth Agarwal with Prudent Value Partners.

Siddharth Agarwal: So my first question is I wanted to know a little bit more about the manufacturing division. So which is the Shankara Building Products Limited. So post demerger, this segment will still have more than INR400 crores worth of assets, equity capital and with a much lower return here. So what is the -- if there is any plan within the management to revive this and if there is any work which is going on, how do you see division panning out over the next few years?

Dhananjay M. Srinivas: So as you know, we have the 3 manufacturing units. So we have 3 subsidiaries. So how we see it we are looking at more value-added products in those lines. We're looking at increasing our utilization of our capacity, which is currently around 50%. And we are looking at a more focused management for this.

So I think all these factors put together would see better growth and aspects in this. For exact numbers, I think it would take us this year to get back to you with the exact number of growth in terms of what we can expect as our ROCE and as a revenue. But we do look at more direct sales to market, which currently may be coming through the existing marketplace. And I think a mix of all of these factors would be how we would look at creating better value in the manufacturing business.

Siddharth Agarwal: Okay. And for these value-added products, which we want to add to this -- into the existing products, are there any further capex that we expect to do in this division?

Dhananjay M. Srinivas: No, all of our units are well maintained. I think all of our machines are also up to date. So I think with more focus, we could definitely add more of these products. For example, our subsidiary Centurywells is having a roofing line. So I think definitely pushing out more capacity and tonnage from those units is possible. So I think, like I said, a more focused approach and more direct sales to market will be -- we do not need more capex for this growth.

Siddharth Agarwal: Are there any personnel changes that are being done for this division to help revive it so to get -- is there a need to get higher or different kind of talent who has more expertise in running the manufacturing units vs the retail units?

Dhananjay M. Srinivas: So since we are already running the manufacturing unit, we do have a few gentlemen who are already capable of doing that. Yes, obviously, we can think of adding some talent or looking at somebody who can definitely help in this. But as of now, we have not really thought of adding anyone, maybe more mid-management segment or low management, but we would have dedicated management from our existing team to focus on this.

Siddharth Agarwal: Okay. And sir, besides these manufacturing units, we overall have 5 lakh square feet of warehouses across the country. Is there any amount of warehouses that we actually own?

Alex Varghese: Most of the warehouses we are owning.

Siddharth Agarwal: And this will go to the -- this will remain in the retail portion or building products division? Or will it go to the manufacturing division, the warehouses?

Alex Varghese: In the manufacturing division mostly.

Siddharth Agarwal: Okay. And we have 5 lakh square feet of warehouses across the country?

Dhananjay M. Srinivas: Correct.

Siddharth Agarwal: And for this -- so it is at a cost-plus basis that will charge the Building Materials division. And the question I'm asking is these warehouses as of now, do they store products other than being manufactured by our manufacturing divisions also?

Dhananjay M. Srinivas: So it's a mix. Some warehouses, obviously, we have a mix, whereas some are only for the manufacturing and whatever portion of the warehouse marketplace would require would be at an arm's length agreement and they would be obviously a rent to that.

Moderator: The next question comes from the line of Pinkesh Teckwani with Profitgate Capital Services.

Pinkesh Teckwani: So basically, I wanted to have a clarification regarding the EBITDA margins of when you talked about post-demerger you would have in building marketplace segment around 3.3% to 3.5%, while in manufacturing around 2% to 2.5% and unconsolidated basis in you are around 3.5%. So is management looking to have more growth in marketplace business than the manufacturing one.

Dhananjay M. Srinivas: So definitely we are looking at more growth in the marketplace business. We do feel there is a lot of value to be unlocked there and that is where most of our growth are, for example, non-steel and value-added steel. But we will also look to grow the manufacturing with better capacity utilization. So definitely, I think you could see there will be growth in both, probably a little more aggressive for the marketplace model. We are looking, like you said, an EBITDA margin at the marketplace of 3.5% to 3.75%, and at the manufacturing of 2% to 2.2%. So that would be how the EBITDA would be. I think consolidated; we're looking at maybe around 3.5%. Yes, we're looking at around 3.3-3.5%. So I think that could improve, I think, as the marketplace improves.

Pinkesh Teckwani: Just last question. What's the present capacity utilization of the manufacturing?

Alex Varghese: It's approximately around 50 percentage.

Moderator: Next question comes from the line of Vandit with Alpha Invesco.

Vandit: For the private label that we have on the tile segment, do you think is there any conflict that we see when we try and sell our own private label compared to some other brands? And do you plan to also move to private labelling and, say, other products in sanitaryware or others?

Dhananjay M. Srinivas: So to answer the first part of the question. So we do not feel there is too much of a conflict. I think our private label is more direct to market and also in projects whereas our retail does have a mix of all the products when brands we do hold. So currently, we have grown very well on private label, but we also had a healthy growth with all the brands we are with. So we don't really -- we have not faced any conflict yet and I don't see that to be a conflict in the future. I think the market is big enough for both brands and other brands as well.

For the second part of the question, currently, we are not exploring any interest or we currently have no interest to bring private label into any of the sanitary and other business because we are very happy with the principal suppliers we're dealing with and they have built big brands, which we are very happy to sell from our stores.

Vandit: Okay. And on questions that I think you spoke about we owning most of our warehouses. So will it be possible for you to give, say, maybe in Karnataka what kind of warehouses we are owning same Maharashtra, maybe just in terms of square feet or the area that we own?

Dhananjay M. Srinivas: We'll get back to you on the exact calculation. But we do -- as I said, we do own many of them warehousing as is how it has been with the legacy of the company. But for the exact breakup, our CFO will get back to you on that.

Moderator: Next question comes from the line of Sriram, an individual investor.

Sriram: On Slide number 18, you have given working capital for the BuildPro business in 30 days. Can you just break it up in the receivables, inventory, and payables? Second question is I would like to understand the model of this BuildPro. I mean, do you purchase directly from manufacturers? And who are your competitors? I just want to understand like let's say, there are other players like Infra.Market operating in this space. So how does it compare -- how does your model compare?

Dhananjay M. Srinivas: So I'll answer the second part of your question first. So how our model works is, we are a retail presence, we're a marketplace. So we do have physical stores in multiple locations, and we do sell products from multiple brands. We have direct relationships with almost all the brands where we do hold stock for some brands, or we do buy against order for with many brands.

As far competition, I would say, my main and only competition would be mom and pop stores because, for example, companies like Infra.Market are more in the manufacturing, they have more of their own products and their own brand name. So they would be more of a competition to my suppliers rather than to me. Okay. And for the second part.

Alex Varghese: For the second part for the inventory will be approximately around 30 the days. Debtors approximately 40 days, and creditors will be around 40 days. So net average will be around 30 days.

Sriram: Receivables will be 140 days, you're saying, for the BuildPro business?

Alex Varghese: 40, I'm saying.

Sriram: So it's not a cash and carry model, is it?

Alex Varghese: No, it's not a cash and carry model because we are having influencer as our customer, where we are -- they are the repeated influencer, we will be giving credit to them.

Sriram: So the model is not pure retail model, right?

Dhananjay M. Srinivas: So how it works around is that we do have influencers, we do have contractors. We have old loyal customers who buy from us. So I think that whole cycle of them buying the material and paying us goes to around 20, 25 days. We also do have some wholesale business and project business in this, which pushes it little bit around 40.

So that's why we say an average receivable around 30 days. We do have maybe 50% of the business from end retailers do a cash and carry. But as I said, it's a mixed model and that's why we are talking more of it as a marketplace because in the industry, which is very unorganized, you do get all types of customers coming in.

Sriram: Okay. And how much would be the project business in this BuildPro?

Dhananjay M. Srinivas: I think overall, if you look at it as a company, we look at 55% retail and 45% project and wholesale.

Sriram: This for the BuildPro you're saying, right?

Dhananjay M. Srinivas: For the overall marketplace because BuildPro which is our marketplace.

Moderator: Next question comes from the line of Miraj Shah with Arihant Capital.

Miraj Shah: Sir, I'd like to understand the Fotia Ceramica brand that we have in the tiles segment. Is it only for ceramics? Or do you also make vitrified tiles over there?

Dhananjay M. Srinivas: So we make all types of tiles in Fotia Ceramica, which name is Fotia Ceramica. We do have GVT, we have vitrified, we have full body, we have parking. We have double-charged, nano, we have a whole range. So from 4 inch by 4 inch to 8-foot by 10-foot we have the whole range of tiles and all the different types of tiles porcelain, ceramic, vitrified, full body, etcetera.

Miraj Shah: Understood. So do we manufacture it ourselves? Or do we outsource the manufacturing part over here?

Dhananjay M. Srinivas: So we outsource the manufacturing. We have around 25 factories that work with us, which also do manufacturing a lot of the big names in the industry. So we are assured of our quality. So we take up some cases, almost 80% of some factory utilization. Some places is only 20%, 25%. So I think we are more flexible and nimbler because we have multiple factories working on different products for us. And we do have a quality assurance team there who make sure that each tile comes out is up to our standards.

Miraj Shah: In that case, sir, this will be more of a trading business, right? Because you'll be buying the finished product from there only.

Dhananjay M. Srinivas: You could say that. But since it's in our brand, we are able to get a better return on product in terms of margins compared to, you could say just a trading business. We are selling a lot of it to dealers and retailers, and we look at more of the contract manufacturing rather than a trading business.

Miraj Shah: Okay, understood. So the next question is that I was just checking the shareholder list, APL Apollo is back as the shareholder. So I believe that, what they were trying to do was they had removed money for the warrant, and they subscribed for the warrant. So as per your discussion, latest discussion with them, there won't be any further changes to this side or they want to stay, right?

Dhananjay M. Srinivas: Yes, no changes as of now I think. They have subscribed to the warrants. I think that's going on. There shouldn’t be any change in the shareholding, no changes expected.

Miraj Shah: Okay. And what was the contribution of their sale of their products in this year?

Dhananjay M. Srinivas: So this year, overall, Apollo's contributed 37% of our turnover as compared to 42% last year.

Miraj Shah: Okay. Okay. Understood. And sir, so also in one of the slides you mentioned, where are we present geographically in India. Central and West is something that is, that comes after the Southern presence that is extremely strong. When do we plan to have some kind of penetration in the Eastern or the Northern side. Is it still some time or is it on the cards now?

Dhananjay M. Srinivas: So our focus is to expand our foothold more in South and West and Central currently. Eastern markets are I think Eastern and Northern markets are in our pipeline. I think we're looking at not in the coming years, but we're looking at a lot more potential currently in the Western Central because we have seen very good growth there in the last 2 years.

So I think we first want to consolidate to grow aggressively in those markets, make our foothold and our base strong. But our long-term plan is to do Pan-India. And I think that starts with one more growth in West and Central and that in with Fotia we are looking at or faster Pan India present spread, especially with the display center coming up in the coming month.

Miraj Shah: Understood. Sir, just one more part on the Fotia Ceramica part, you mentioned that there are 20, 25 units that you've partnered up with. So what would be the capacity that is available to you over here?

Dhananjay M. Srinivas: So the exact in terms of boxes or in terms of metric feet, I’ll get back to you. But in different factories, we have different percentages of capacity, some factory we do use them are 80% of the capacity, whereas in others, we do around 25% of capacity based on obviously the demand in the market.

Miraj Shah: Okay. And you wanted it in square meters, if it's possible later on, I'll take it to you -- take it from you offline.

Dhananjay M. Srinivas: Definitely, we will give you the overall square meterage that we're looking at.

Miraj Shah: And sir, in the 3 manufacturing units that we have, is there any scope for brownfield expansion, if you want to take that ahead in these units? Or is the land bank not available? Is it exhausted over there?

Dhananjay M. Srinivas: The land bank is there. I think our first focus is to kind of push and turn around and get a focus on the unit and get it focused on the manufacturing? I think maybe in a year or 2, we'll have a better idea, especially in a year. And then we could look at – we are not opposed to any idea I think we're kind of still in the exploratory phase when it comes to what we can do with the manufacturing.

Miraj Shah: Okay. So these will be purely for steel manufacturing, steel and steel products, pipes, and tubes, right?

Dhananjay M. Srinivas: It's not just pipes and tubes. It's also our value-added steel products like roofing and other related products to that. So not necessarily just pipe and tube will be roofing as well.

Miraj Shah: Sir, what would be a broad EBITDA per ton that we'd be making over here? Let's say, for FY '24, if you could share that number.

Dhananjay M. Srinivas: Just give us a second, we'll get back to you. Around INR1,500 per ton.

Miraj Shah: Okay. I believe there's a lot more scope over here in that case.

Dhananjay M. Srinivas: Yes, we believe so as well.

Miraj Shah: And just one final question from my side. On the balance sheet, we see INR83 crores of total gross borrowing, INR34 crores of cash. So after the demerger, what component will go in the manufacturing unit and what will go in the marketplace unit? I mean how much of debt will go in each of the units?

Alex Varghese: Approximately around INR75 crores will be in the marketplace and around INR8 crores will be in the manufacturing side.

Miraj Shah: Okay. And cash?

Alex Varghese: Cash will be approximately as on 31st of March, around INR30 crores will be in the marketplace and INR5 crores in manufacturing.

Moderator: Next question comes from the line of Shree Ram R, an individual investor.

Shree Ram R: Now that APL has invested in Shankara. So there is one company called SG Mart, which is promoted by the APL Apollo Group. Is there any conflict of interest? Or can you define the operations of these 2 entities?

Dhananjay M. Srinivas: So SG Mart is more like a super distributor, which you could say. They are -- we do buy products on them and then we do sell it into B2B channel. So I think there's really no conflict of interest. I think it's more of a complementary business.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to Miraj Shah for closing comments.

Miraj Shah: Thank you, Alex sir and Dhananjay sir for allowing us to host you. Yes, that's it from my side and all the best for future, sir. Back to Dhananjay Sir.

Dhananjay M. Srinivas: Thank you. Thank you, Miraj and thank you, everyone, for attending our call. I hope we have answered, and we could give you a good brief and concise, I think, summary of the last year. And we are hoping to continue this good growth momentum in the year ahead. And thank you all for joining us. I hope you all have a good day.

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

(This document has been edited for readability purpose)

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