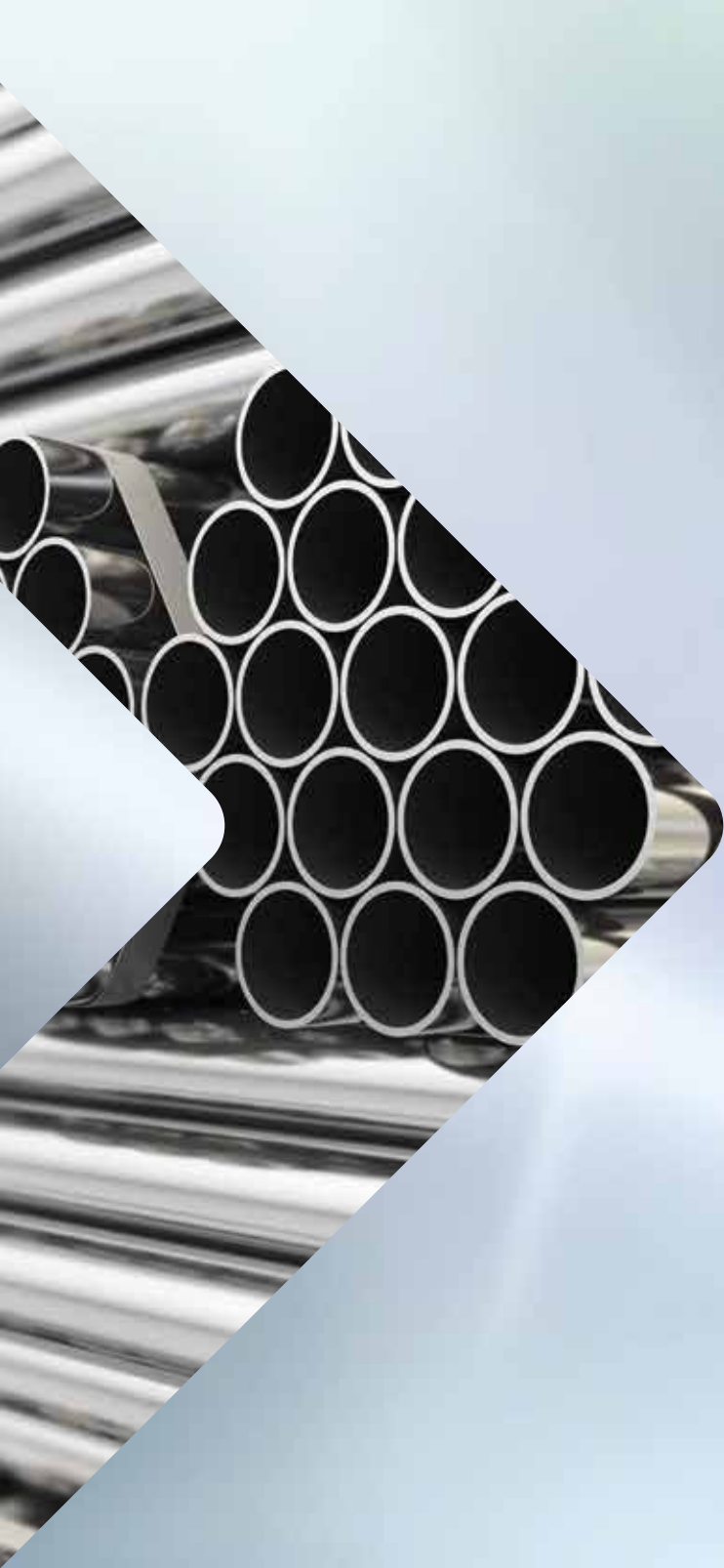






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Board of Directors

Managing Director

Sukumar Srinivas

Directors

V. Ravichandar
C. Ravikumar
R. S. V. Sivaprasad
Jayashri Murali
Chandu Nair
B. Jayaraman

Auditors

Haribhakti & Co., LLP
Chartered Accountants
Bangalore

Company Secretary

Ereena Vikram

Bankers

Citibank N. A.
Kotak Mahindra Bank Ltd.
Indusind Bank Ltd.
Standard Chartered Bank
IDFC Bank Ltd.
Federal Bank Ltd.
Axis Bank Ltd.

Registered Office

G2 Farah Winsford
133, Infantry Road
Bangalore - 560 001

ANNUAL REPORT 2018 - 2019



Chairman's Message

Dear Shareholders,

It gives me great pleasure in welcoming you to the 24th Annual General Meeting of your Company.

I am happy to report to you that in spite of an uncertain environment, and certain challenges arising from global raw material pressures and natural calamities, your Company remained on track with its vision of being India's first retail chain for building products.

These challenges notwithstanding, our company continues to follow high standards of corporate governance and views it as more of an ethical imperative than merely adhering to regulatory requirements. We are proud that our growth and transformation over the last few years has come from staying the course for long term sustainability without taking convenient short term decisions or compromising on our obligations to society at large.

The year gone by

There is no doubt that the business environment has been challenging in the last financial year. Let me share with you the operating environment and the headwinds the Company faced in a highly competitive market. Thereafter, I shall outline the actions the Company has taken to ensure strong profitable growth.

The year started off on a positive note. The first half of FY 2018-19 was in fact good. There was a revenue growth of 23% which is commendable. However, there were sudden and strong headwinds in the second half. The sharp increases in raw material prices, especially steel coupled with an inability to increase end user prices was a double whammy. This had impact on margins as well as inventory.

Overall, we delivered a revenue growth of 4%. We recorded EBITDA margin of 4.7% (vs 6.9% last fiscal) and PAT margin of 1.2%.

While the company is increasing its focus on diversifying into building products, there is still a large dependence on steel which hit us last fiscal. Further, our business has legacy elements which impact us in our journey to be a retail building products chain. That resulted in a y-o-y fall of 11.6% in sales vs last year in the second half of the year.

Focus on cash flow and financial strength

I must stress here that there were a number of important and good things that the company did to improve its overall financial position. For one, there was a huge focus on cash flow. The thrust on debtors saw a reduction in debtors from ₹424 cr in Q4 FY 18 to ₹334 cr in Q4 FY 19. I am happy to inform you that the company had an operating cash flow in fiscal 2019 of ₹171 crores (versus ₹40 crores in FY 18).

Our debt is down so finance costs too are decreasing. The debt equity ratio which was 0.70 in Q1 FY 19 came down to 0.38 in Q4. We have also reduced our operating costs, restructured some of the operations, and the results should be visible in the coming quarters. Our focus on building balance sheet strength and sales on cash as opposed to credit also impacted margins.

As you can appreciate, we moved swiftly to take corrective measures to keep the company on a sound financial footing for the forthcoming years.



Retail focus

Our retail focus is increasing. From 51% in Q1 it increased to 57% by Q4. You will recall that retail was just 40% merely 3 years back. As the company steps up its retail operations, and the number of items and complexity increases, it is facing some pressure on retail margin which are slightly down in the short term.

In a sense, as far as retail is concerned, your company in many ways is still a startup. It is an evolutionary process. Since there is no other comparable company in India, we are charting our own path.

Defocus on non-critical areas

We are open to considering divesting certain parts of our business that are not adding value to the overall growth strategy of the firm. To that end, the management has identified assets for sales in Chegunta unit of a subsidiary, Taurus, which is subject to shareholder approval.

The rationale for this - Taurus does not have substantial capacities to avail scale benefits nor does it make sense to increase capacity in these market conditions. This sale of assets will help release funds, both from fixed assets and working capital, and further strengthen the consolidated balance sheet of Shankara. With the residual capacities, our focus on value added, bespoke products will increase.

Growing product portfolio and customer engagement

The company is clear on its focus to be a **One Stop Shop** Solution for building products for our customers. To that end, it is constantly increasing product offerings and creating depth in the existing product categories to create an engaging shopping experience for customers. It is also expanding its retail presence through organic and inorganic routes.

The India growth story

The uncertainty in the environment has continued in the current financial year as well. The conclusion of the ongoing general elections and the installation of a new government should hopefully provide political stability. There have been certain path-breaking policies such as GST, RERA and ambitious programmes such as affordable housing that hold significant promise for healthy growth of the building products industry over the medium term.

Going forward, I am confident of your Company's abilities and competence to scout for opportunities amidst this volatility and drive the business forward with focus and determination.

Conclusion

The core and evolving consumer needs continue to be at the core of all our actions and initiatives. Last fiscal, your company's focus was on strengthening itself financially in the midst of strong headwinds. The focus was clearly on consolidation and financial prudence.

We believe that your company is in a reorientation phase before capitalizing on the growth opportunities. We are in it for the long term.

The last year was tough and truly tested us. We believe that we have taken the right measures to set the business back on the growth path. Our credit ratings are healthy and the focus on balance sheet strength will continue. As your Company enters its 25th year of operations, I look forward to very strong years of growth ahead of us.

I take confidence from the continued support provided by all our stakeholders as we forge ahead.

I convey my deepest appreciation for the effort of all our employees. My sincere thanks and appreciation to our fellow Directors on the Board for their guidance. My gratitude to our bankers, customers and suppliers. On behalf of the Shankara board, I also thank you all, our valued shareholders, for your continued support.

Warm Regards

V. Ravichandar
Chairman

NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Members of Shankara Building Products Limited will be held on Tuesday, the 25th day of June, 2019 at 12.30 P.M. at "Radisson Blu Atria No. 1, Palace Road, Bengaluru- 560001" to transact the following businesses:

Ordinary Business

Item No.1- Adoption of Financial Statements and Reports of the Board of Directors and the Auditors thereon.

To receive, consider and adopt the financial statements of the Company for the year ended 31st March, 2019 including the Audited Balance Sheet as at 31st March, 2019, the Audited Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the financial year ended on that date and the reports of the Board of Directors and the Auditors thereon.

Item No. 2- Declaration of Dividend.

To declare a dividend of ₹1.50 /- per equity share of ₹10/- each for the financial year 2018-2019.

Item No. 3 - Appointment of Mr. C. Ravikumar (DIN: 01247347) who retires by rotation and being eligible, offers himself for re-appointment as a Director.

To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 152 and other applicable provisions, if any, of the Companies Act, 2013, Mr. C. Ravikumar (DIN: 01247347), who retires by rotation, be and is hereby re-appointed as a Director of the Company.

RESOLVED FURTHER THAT Board of Directors be and is hereby severally authorized to do all the acts, deeds and things which are necessary to give effect to the above said resolution."

Item No. 4 - Appointment of Statutory Auditor.

To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other

applicable provisions, if any, (including any statutory modification(s), clarifications, exemptions or re-enactments thereof for the time being in force) M/s Sundaram & Srinivasan, Chartered Accountants, Chennai (Firms Registration No. 004207S), be and are hereby appointed as Statutory Auditors of the Company to hold office for a period of five years, from the conclusion of the 24th Annual General Meeting to be held in the year 2019 till the conclusion of the 29th Annual General Meeting of the Company to be held in the year 2024 on such remuneration as may be fixed by the Board of Directors in consultation with the Auditors."

RESOLVED FURTHER THAT for the financial year 2019-20 a remuneration of ₹20,00,000/- (exclusive of applicable tax and out of pocket expenses and fees for certification work) as fixed by the Board of Directors be paid to the Auditors for conducting statutory Audit, Tax Audit and Limited review of quarterly results.

RESOLVED FURTHER THAT the Board of Directors be and is hereby severally authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

Special Business

Item No. 5- To re-appoint Mr. V. Ravichandar (DIN: 00634180) as an Independent Director of the Company

To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification (s) or re-enactment thereof for the time being in force) read with Schedule IV to the Act and Regulation 16 (1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. V. Ravichandar (DIN:00634180), Independent, Non-Executive Director of the Company who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for reappointment, be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office for second term of five consecutive years with



effect from 25th June, 2019.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

Item No. 6 - To appoint Mr. B. Jayaraman (DIN: 00022567) as an Independent Director of the Company

To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Section 149 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 (“the Act”) and the Rules made thereunder and pursuant to the provisions of the Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any modification (s) or re-enactment thereof), the appointment of Mr. B. Jayaraman (DIN : 00022567), was appointed as an Independent Director of the Company, to hold office for a term of 5 (five) consecutive years, from 14th August, 2018 be and is hereby approved.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

By Order of the Board
For Shankara Building Products Limited

Place: Bengaluru
Date: 9th May, 2019

Ereena Vikram
Company Secretary
& Compliance Officer

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself / herself and a proxy need not be a member of the Company. Proxies in order to be effective must be duly filled, stamped, signed and should be deposited at the company's registered office not later than forty – eight hours before the commencement of the meeting. Proxies submitted on behalf of Limited Companies, Societies, Partnership Firms, etc., must be supported by appropriate resolution / authority as applicable, issued on behalf of the appointing organisation. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the company carrying voting rights, then such proxy shall not act as a proxy for any other person or member.

In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

2. The Statement pursuant to Section 102 of the Companies Act, 2013, setting out the material facts in respect of special businesses under Item No. 4, Item No. 5 and Item No. 6 is annexed hereto.
3. Members / Proxies attending the Meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 22nd June, 2019 to Tuesday, 25th June, 2019 (both days inclusive) for the purpose of payment of dividend.
5. The dividend, as recommended by the Board of Directors of the Company, if declared at the Annual General Meeting, will be paid within thirty days to those Members whose names stand registered on the Company's Register of Members:
 - a. as Beneficial Owners as at the end of business hours on Friday, 21st June, 2019 as per the list to

be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in dematerialized form

- b. as Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before, Friday, 21st June, 2019.
6. Members are requested to note that dividends not encashed or remaining unclaimed for a period of 7 (seven) years from the date of transfer to the Company's Unpaid Dividend Account, shall be transferred, under Section 124 of the Companies Act, 2013, to the Investor Education and Protection Fund ("IEPF"), established under Section 125 of the Companies Act, 2013. Further, pursuant to the provisions of Section 124 of the Act and IEPF Rules, all shares on which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to IEPF Authority as notified by the Ministry of Corporate Affairs.
7. Members who have not yet encashed the dividend warrant (s) from the financial year ended 2017 onwards are requested to forward their claims to the Company's Registrar and Share Transfer Agent.
8. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details such as bank account number, name of the bank and branch details, MICR code and IFSC code, mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their depository participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, Karvy Fintech Pvt. Ltd ("Karvy") to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Karvy.

The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their depository