



ANNUAL REPORT 2019 - 2020





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## Board of Directors

Managing Director  
Mr. Sukumar Srinivas

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

## Auditors

M/s Sundaram & Srinivasan  
Chartered Accountants  
Chennai

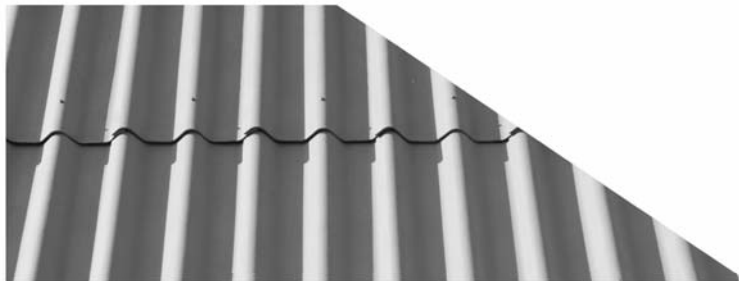
Company Secretary  
Ms. Ereena Vikram

## Bankers

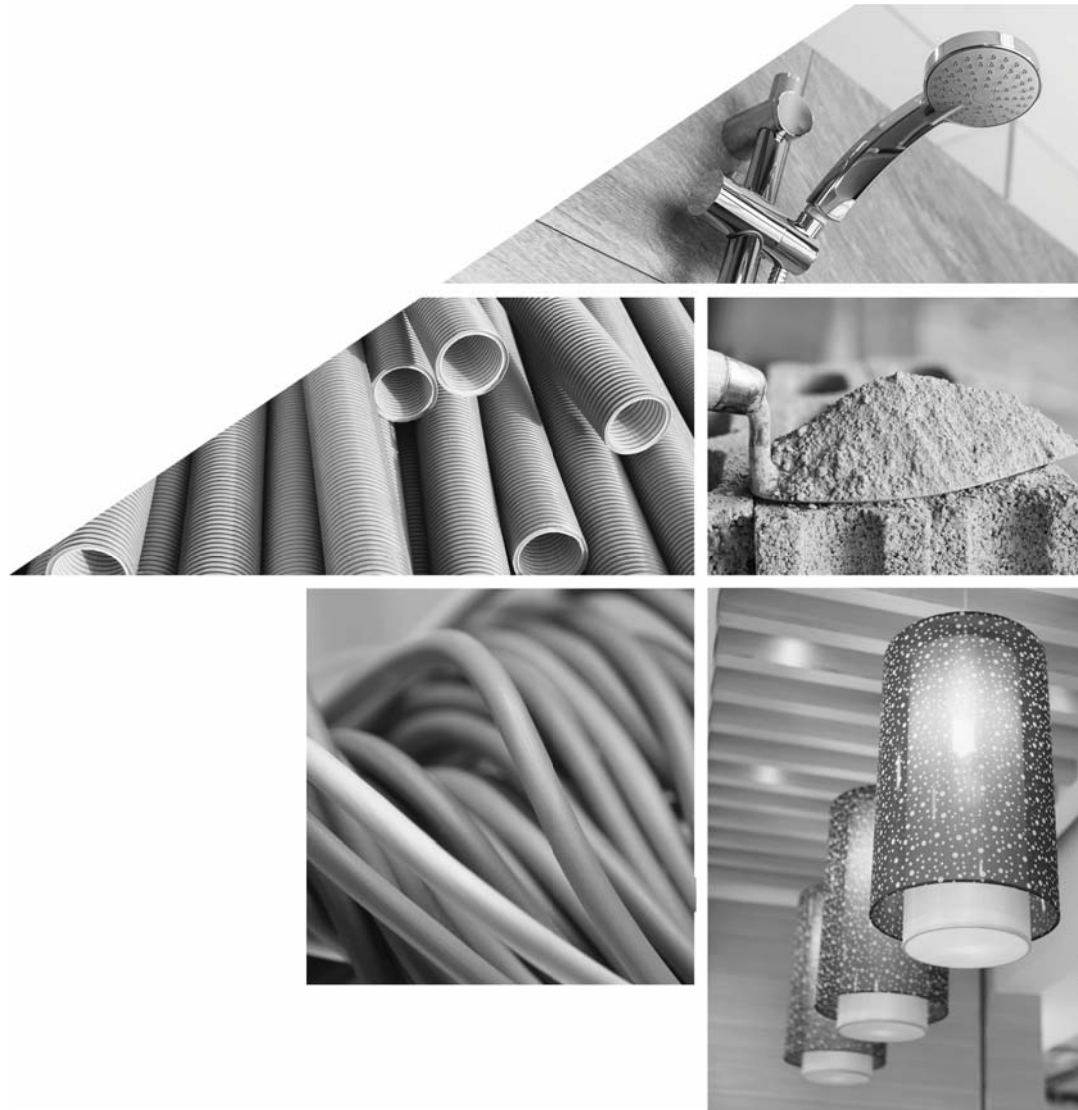
Citibank N. A.  
Kotak Mahindra Bank Ltd.  
IndusInd Bank Ltd.  
Standard Chartered Bank  
IDFC Bank Ltd.  
Federal Bank Ltd.  
Axis Bank Ltd.

## Registered Office

G2, Farah Winsford  
133, Infantry Road  
Bengaluru - 560 001



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## Chairman's Message

Dear Shareholders,

In these grim times for the World, we have some glad tidings. This is our Silver Jubilee and it gives me immense pleasure to welcome you to our 25<sup>th</sup> Annual General Meeting.

We started our Company in 1995 with a focus on enterprise customers, OEMs and SMEs, as a provider of steel products. We scaled this business and in 2003 started our channel business when our turnover was around ₹100 crores. We aligned with leading brands from the Tata Steel stable and built a wide reach. In 2006, we forward integrated our business by opening the first retail outlet in Bangalore. In 2010, backward integrated into steel processing through greenfield and brownfield projects. In 2015, with a view to further expand our customer base and revenue possibilities, we expanded the scope of our retail outlets to include the entire range of building products.

One of the common themes running through each of these maneuvers has been exploring adjacencies, be it in terms of products, geographies, customer segments or business verticals. This allowed us to focus sharply on these segments and bring in better efficiencies. We have created an organization with unique capabilities and employees with multiple skills. We have been a disruptor in the organized building material retail industry – merging multiple vertical industry segments into one horizontal. However, it has also come with its own learnings, particularly during the last two years.

### Consolidation

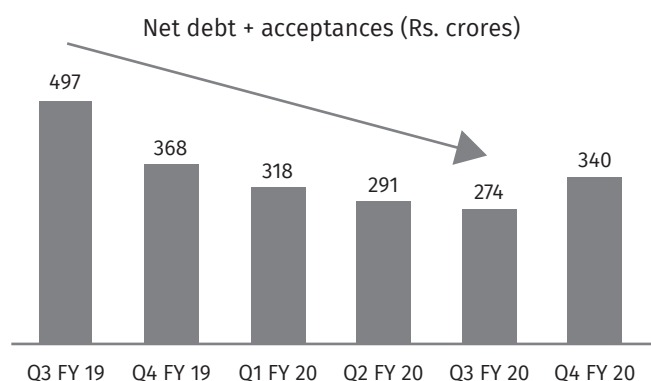
Upheavals in some segments of the market led us to introspect and realign our priorities. Multiple disruptions like the financial situation arising out of the NBFC crisis and the liquidity crunch among our customers made a bad situation worse. We went back to basics and focused on marketing and trading, our key strengths.

We took swift action and sold a substantial processing asset in Hyderabad. Debt reduction was a goal too. The impact of that sale has been very positive for strengthening our balance sheet. It also released management bandwidth to focus on our higher profitability business segments.

We chose to shut down some of our marginal stores and conserved capital. We further intensified our efforts on the steel business as it forms the foundation for us to scale the product range. We posted a strong recovery in our sales and profitability in the second half of the financial year 2019-20. As for most of the Indian economy, the Covid-19 pandemic created uncertainties and undermined our performance and cash flows in the month of March 2020.

### Reduction in borrowings

Our key focus last year was to reduce borrowings. We considered the aggregate of bank borrowings and acceptances as a part of this reduction measure. We halved the overall debt and acceptance levels by Q3 FY 19-20. However, operations lockdown in March, 2020 impacted our ability to liquidate inventory and collect receivables. The following graph provides more details on the sequential debt reduction we have achieved during the last six quarters.







## Financial performance in FY 19-20

The company recorded strong growth in profitability in FY 19-20 with PAT growing by 48%. The table below captures the key consolidated financials of the continuing operations of the Company, post the sale of Hyderabad processing unit.

- ☞ The overall revenues stood at ₹2,640 crores for FY 20. Retail revenues contributed to 55% of overall revenues.
- ☞ EBITDA grew by 18% and stood at ₹122 crores. Growth in EBITDA was aided by reduction of corporate overheads between FY 19 and FY 20.
- ☞ PBT stood at ₹53 crores representing a growth of 28%. Lower interest costs boosted the PBT levels.
- ☞ The Company adopted Ind AS 116 for FY 20. On account of this, our PBT was reduced by ₹112 lacs for FY 20. Comparatives for the prior period in FY 19 have not been restated.
- ☞ PAT from continuing operations grew by 48% for the year and stood at ₹42 crores. Lower corporate taxes helped reduce the tax incidence and increased the reported PAT.

(₹)In Crores	FY 19	FY 20	Growth
Total Revenue	2,546	2,640	4%
Retail%	56%	55%	
EBITDA	104	122	18%
Margin	4.1%	4.6%	
PBT	42	53	28%
PAT	28	42	48%
Margin	1.1%	1.6%	

## Key performance highlights

One of the key highlights of the previous year was our return to double digit growth which started in the second half of FY 20. During Q3 FY 20, our revenues grew by 21%. We were on track for similar growth numbers for Q4 FY 20 as well till the lockdown happened.

Cost containment has also been one of our key focus areas. We have realigned our backend warehousing and frontend stores in many regions. Employee costs have also come down. Other corporate overheads have also been reduced. Interest costs have also come down on account of the reduction in debt levels.

We are happy to state that the retail segment margins stood at 8.02% for FY 20. This is beyond the higher end of 6% to 8% band we had guided earlier.

## Business mix

Retail segment is a growth vertical for us and now forms 55% of our revenues. The channel and enterprise business continue to be strategic verticals and we will continue to focus and grow these verticals. However, the focus will be on running this business on optimal inventory levels to contain overall working capital needs for the segment.

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## **Customer focus**

A large part of our business comes through repeat customers and references. We are happy to have satisfied their requirements through adequate material availability and timely delivery. As we build on our basket of products, customer centricity continues to be an ongoing endeavor. We are also building new avenues of reaching our customers like the online ecommerce channel.

We have built a large supplier base and are among the largest trade partners for many leading brands on an all India basis. We continue to work towards strengthening our relationships with them.

## **Opportunity**

The opportunity is large and the runway for growth significant. There is no other player in the building material industry of our scale, product basket and geographic spread. We remain focused on building a strong and unique business in our chosen area.

However, events like COVID-19 create near terms challenges for us and the industry. Building material industry is amongst the largest employers in the country. We believe that the steps taken by the government to contain the spread as well as stimulus measures will help the industry. Lower oil prices and interest rates will also aid the Indian economy. We are hopeful that the building material industry will bounce back once the situation stabilizes.

## **Conclusion**

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 of 25<sup>th</sup> Annual General Meeting

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of the Members of Shankara Building Products Limited will be held on Thursday, the 30<sup>th</sup> day of July, 2020 at 11.30 A.M (IST) through Video Conference ("VC") / Other Audit Visual Means (OAVM) without the physical presence of Members at a common venue, in compliance with General Circular No. 14/2020, 17/2020, 20/2020 issued by Ministry of Corporate Affairs (MCA Circulars), to transact the businesses mentioned below.

The proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company which shall be the deemed Venue of the AGM.

### Ordinary Business:

**Item No.1 - To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2020 together with the Reports of the Directors and Auditors thereon and the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2020 together with Report of Auditors thereon.**

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

**"RESOLVED THAT** the audited financial statements of the Company for the financial year ended March 31, 2020 together with reports of the Directors and Auditors thereon laid before this meeting, be and are hereby considered and adopted."

**"RESOLVED FURTHER THAT** the audited consolidated financial statements of the Company for the financial year ended March 31, 2020 together with the report of Auditors thereon laid before this meeting, be and are hereby considered and adopted."

**Item No. 2 - To re-appoint Mr. RSV. Siva Prasad (DIN: 01247339), Director of the Company 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 of the Companies Act, 2013, Mr. RSV. Siva Prasad (DIN: 01247339), who retires by rotation at 25<sup>th</sup> Annual General Meeting of the Company, being eligible, offered himself for re-appointment be and is hereby re-appointed as a Director of the Company, liable to retire by rotation.

**RESOLVED FURTHER THAT** the Managing Director/Company Secretary of the Company be and are hereby authorized severally to complete necessary formalities as per the applicable provisions of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015."

### Special Business:

**Item No. 3- To re-appoint Ms. Jayashri Murali (DIN: 00317201) 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, Ms. Jayashri Murali (DIN: 00317201), Independent, Non-Executive Director of the Company who has submitted a declaration that she 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 19th March, 2020."

**RESOLVED FURTHER THAT** the Managing Director/Company Secretary of the Company be and are hereby authorized severally to complete necessary formalities as per the applicable provisions of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015."

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**Item No. 4- To re-appoint Mr. Chandu Nair (DIN: 00259276) 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. Chandu Nair (DIN: 00259276), 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 29th July, 2020.”

**RESOLVED FURTHER THAT** the Managing Director/Company Secretary of the Company be and are hereby authorized severally to complete necessary formalities as per the applicable provisions of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.”

By Order of the Board  
For Shankara Building Products Limited

Place: Bengaluru  
Date: 10<sup>th</sup> June, 2020

**Ereena Vikram**  
Company Secretary  
& Compliance Officer  
M.No. - A33459