Date: 12th November, 2024

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Department of Corporate services	Listing Department
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Scrip Code: - 540425	**Symbol- SHANKARA**

Dear Sir/Madam,

Subject: Transcripts- Q2H1FY25 Earnings Conference Call

Please find enclosed the transcripts of the Q2H1FY25 Earnings Conference Call held on 5th November, 2024.

Kindly take the above information on record and acknowledge.

For **Shankara Building Products Limited**

Digitally signed by ereena vikram
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"Shankara Building Products Limited Q2 FY25 Earnings Conference Call"

November 05, 2024

MANAGEMENT: **MR. SUKUMAR SRINIVAS – MANAGING DIRECTOR**
MR. C. RAVIKUMAR – EXECUTIVE DIRECTOR
MR. ALEX VARGHESE – CHIEF FINANCIAL OFFICER
MR. DHANANJAY SRINIVAS – VICE PRESIDENT

MODERATOR: **MR. VARUN JAIN – DOLAT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Shankara Building Products Limited Q2 FY25 Earnings Conference Call hosted by Dolat 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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varun Jain from Dolat Capital. Thank you and over to you, sir.

Varun Jain: Thank you. Good morning, everyone. Today, we have been joined by the management team of Shankara Building Products. We have Mr. Sukumar Srinivas, Managing Director, Mr. C. Ravi Kumar, Director, Mr. Dhananjay Mirlay Srinivas, Vice President, and Mr. Alex Varghese, CFO. I would now hand over to Mr. Dhananjay for opening remarks, followed by the Q&A. Thank you. Over to you, sir.

Dhananjay Srinivas: Thank you. A very good morning and a very warm welcome to Shankara Building Products Limited Earnings Conference Call for the quarter ended 30th September 2024. Joining me today are Mr. Sukumar Srinivas, Managing Director, Mr. C. Ravi Kumar, our Executive Director, and 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, and 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've all had the opportunity to review it.

The first half of the fiscal year saw some macro weakness, amid election-led slowdowns in construction activity compounded by severe rains in several parts of India and softening in steel prices. Despite this, we are pleased to report that Shankara Building Products has demonstrated a resilient performance. We achieved a healthy steel volume growth of 25% year-on-year and a robust non-steel revenue growth of 35% year-on-year. Our overall revenues grew by 15% year-on-year, reaching INR2,620 crores for the half-year. Our Q2 revenue was INR1,329 crores, a growth of 16% as compared to Q2 FY24.

As India's largest steel tube marketplace, Shankara continues its stronghold in the steel tube segment. We saw a volume growth of 26% year-on-year, reaching 0.25 million tons in H1. Historically, steel tubes and pipes have been our key strength where we command our sizable market share. We have, over the last few years, started focusing on other steel segments such as flat, long products, roofing, and TMT. Our overall steel volumes were at 0.4 million tons in H1. We are confident of achieving 0.8 million tons in FY25, with an aspiration to grow to 1 million tons volume by FY25-26. We have a strong distribution network and tie-ups with leading brands including APL Apollo, AM/NS, and JSW, which will help us achieve these numbers.

Our non-steel portfolio also showed robust growth, with 35% year-on-year growth in revenue in H1. Growth across all sub-segments including plumbing, sanitary ware, tiles, electricals, paints, hardware, and accessories. Notably, our sanitary ware and tile segments grew by 33% and 46%, respectively. The strength of our existing brands and expansion of our partnership with marquee domestic and international brands continues to yield results. Our private label, Fotia, particularly grew in excess of 30% year-on-year. We are also excited to announce the inauguration of our 18,000 square feet experience centre in Morbi under our brand Fotia in September, which offers an extensive collection of innovative designs and sizes. This centre was set up as a strategic hub to enhance visibility of our brands, as well help us to expand our presence pan-India in the coming years, with a long-term intention to explore opportunities in exports. In Q2, we launched new products such as Quartz Sinks and Adhesives under the Fotia brand. We continue to explore more opportunities as we move ahead. Overall, we are confident of achieving a sustained growth momentum with at least 30-35% CAGR growth in this segment for the coming years.

In order to sustain our growth momentum, your company has identified 10 strategic locations to set up fulfilment centres in this fiscal. We are happy to inform that we have successfully operationalised four new fulfilment centres in H1, which include our Fotia experience centre in Morbi, a non-steel centre in Bangalore, a hybrid store in Kerala and a non-steel centre in Hyderabad.

In the first half, we have grown rapidly in the Western and Central regions, around 60% and 40% year-on-year respectively, together contributing to 18% of our top line. In this quarter, we also upgraded our e-commerce platform buildpro.store. We added a number of products including steel to the platform. The team is continuously working to strengthen our digital presence and provide a comprehensive building material solutions platform.

Despite a tough macro environment and approximate 10% downward correction in steel prices, we were able to maintain our operational profitability in H1. Our EBITDA for the half year was at INR79 crores, a growth of 11% year-on-year, with an EBITDA margin at 3.01%. Our EBITDA margins in the non-steel segment remain steady at 6%. Q2 was a challenging quarter. The quarter witnessed a slowdown in the construction and infra segments. This was primarily due to heavy rains witnessed in most of our areas of operations. Steel prices softened substantially over the quarter. This was due to a subdued national and international demand, increased supply from China, which led to a steep fall in steel prices in the international market. This had an immediate impact in the domestic markets too. The falling prices impacted our profit for the quarter. EBITDA for Q2 FY25 stood at INR38 crores and PAT stood at INR15 crores. Our PAT for the half year FY25 was INR31 crores. Our profitability is impacted by the inventory loss due to falling steel prices and certain costs incurred in branding, advertisement and marketing towards long-term sustainable growth of our non-steel business.

The company continued its discipline in managing working capital. This was reflected in a reduction in our interest cost by INR2.5 crores over the previous quarter. Our cycle was sustained at approximately 30 days. We are well on-track to demerge our building materials marketplace business, which has consistently delivered significant value, to simplify our business structure and pursue a focused capital allocation strategy. The marketplace business generated INR2,417 crores in revenue, and the manufacturing business generated INR672 crores in revenue in H1. The marketplace business continues to be a superior generator of returns with a ROCE for H1 at 28%. We are continuously working towards optimizing operational efficiencies and competitiveness in the manufacturing business, which has led to a 50% growth in capacity utilization in H1. The demerger scheme has been filed with NCLT and we have received the creditor's consent. We expect the scheme to be implemented before the end of this fiscal.

Going forward, Shankara continues to remain bullish in our steel business. Historically, November to March is the positive demand season for building materials. In this environment, we are confident of sustaining our growth momentum for our steel, as well as our non-steel segments. We believe that steel prices are stabilizing. This will help us improve our margins and close the year on a better note. Shankara remains a unique business model, being the only organized player as an integrated marketplace combining retail and wholesale business in the building materials space. We have over 126 fulfillment centers, including 92 retail counters. We have over 1 lakh customers spanning 10 states. We have a strong physical presence in Tier 2 and Tier 3 cities, apart from metros. We represent all the leading brands from JSW, AM/NS, APL Apollo in steel to Jaguar, Kohler, Kajaria, Simpolo, etcetera, in fitting, sanitaryware, and flooring. We represent Havells, Jaguar Lighting in the electrical segment, as well as Nippon in paints and adhesives. We have recently added Norton Abrasives, a subsidiary of Saint Gobain, and many more. We probably represent the largest number of brands and are present in the most number of verticals in the building material industry. We have a dedicated salesforce, who are in the field meeting and onboarding potential customers on a regular basis. Apart from this, our vast physical presence, we have a comprehensive e-commerce platform. This hybrid model sets us apart from the competition.

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

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Hi, thank you for the opportunity. Sir, I just want to understand more about your marketplace business. So, you know, just to reiterate your guidance, do you believe that we can grow at 30%-35% in FY26 and 27% and our EBITDA margins can be north of 6% here?

Dhananjay Srinivas: So, just to clarify, when we talk about EBITDA margins of 6%, that's exactly in our non-steel segment. And we are looking at that 30% to 35% growth in the non-steel segment. Overall, we're looking at the marketplace having a 20% to 25% CAGR in the coming years. And we're hoping that EBITDA would be anywhere up of 3%.

Yash: Okay. And how many number of fulfillment centers do you intend to add in the next two years?

Sukumar Srinivas: So, currently, we have about 126. We will be adding about 6 this year further. We've already added 4. So, in the next two years, we will certainly be adding another 10.

Yash: I'll come back in the queue. So, just maybe just one more question, sir. Sorry, if I can ask. In your balance sheet, I'm looking at the interest-bearing trade payables. So, I think you pay some interest on your trade payables, right?

Sukumar Srinivas: It's how the management generally, from time to time, keeps evaluating the options of debt financing vs creditors as a means of funding working capital, which is very good. So, we do have acceptances in our trade payables, partially. To your question, the answer is yes. It's in acceptances only.

Yash: Okay. So, these are all acceptances. Right? But, why haven't the margins gone higher if you pay them early?

Sukumar Srinivas: Margins in terms of, is it gross, is it EBITDA?

Yash: No, gross level.

Sukumar Srinivas: Gross margins, if you really see, we have maintained a steady pace. There has been some impact in the gross margins, primarily because of the inventory valuation, some of the hits we have taken because of the steel price that has come down. So, that is one area where we have seen some. Otherwise, the gross margins have remained quite steady if you compare H1 last year to H1 this year.

Yash: Okay. And just last question, what is the number of trade acceptances in total trade payables, if you have the data?

Alex Varghese: Acceptance is approximately around INR450 crores.

Yash: Okay. Got it. Thank you, sir.

Moderator: Thank you. The next question is from the line of Aman Soni from Envest Analytical Advisory. Please go ahead.

Aman Soni: Hi, sir. My question is on the company demand outlook for the industry in Q3 and Q4 of FY25? And are there any specific trends and external factors that you anticipate will significantly impact demand in these quarters?

Sukumar Srinivas: No. In the coming quarters, we anticipate that it should be good because there is an infra revival. I mean, generally now, if you look at it, as we have mentioned in the opening speech, that generally the quarters three and four post the monsoons is generally a strong demand quarters. So I do see that there would be a strong demand revival in the coming two quarters, vis-à-vis what we saw in the last two quarters.

Aman Soni: Okay.

Moderator: Thank you. The next question is from the line of Jatin Damania from Svan Investments. Please go ahead.

Jatin Damania: Good morning, sir. Thank you for the opportunity. I want to understand, you indicated that on the non-steel, our margin is in the range of 6% to 6.5%. And in the previous call, you indicated a margin of about 3% on the steel business. So just wanted to understand, if you look at the current quarter, despite the improvement in the operating leverage and the growth in the non-steel business, we have seen the sequential decline in margin. I mean, did we have any one-off cost or inventory write-down during the quarter? Can you help us with that?

Sukumar Srinivas: Yes, we did have a one-off write-off on the inventory cost in the last quarter. It's primarily because of steel.

Jatin Damania: Sir, can you quantify that?

Sukumar Srinivas: Quantification is approximately around INR12 crores.

Jatin Damania: INR12 crores, okay. And sir, when you look on the manufacturing operation, definitely INR617 crores of the revenue that we did in H1, can you help us in understanding what was the capacity utilization and how shall one look in terms of the margin for the manufacturing business?

Sukumar Srinivas: Yes, sure. So now if you really look at the manufacturing businesses, which was probably the most hit because of the – and the manufacturing largely in the line of steel. So now coming to the capacity utilizations, we have improved the capacity utilizations. So our primary focus in terms of the manufacturing is, first we start improving the capacity utilization, which it has been languishing at around 30% odd over the last some years. So the first target was to take it up to at least 50%, which we have achieved in the first half, particularly in the last quarter. So that was number one is the strategy.

Number two, we do see that going forward, definitely. And the second strategy was to get it if you look at the first quarter versus the second quarter, manufacturing is in the positive side, which is again very, very important. So I think that the two clear objectives the company had, we have achieved in quarter two.

So now going forward, we will sustain the manufacturing capacity at this level with maybe a marginal growth further, a; b, there will be greater focus on improving the margins, which is what we hope to achieve in the coming two quarters.

Jatin Damania: So what margins, one should assume for the manufacturing business?

Sukumar Srinivas: I think at an EBITDA level, our immediate target would be to achieve three.

Jatin Damania: 3%?

Sukumar Srinivas: Yes.

Jatin Damania: So last question, It will help us in giving the, give us the number in terms of the EBITDA in terms of the non-retail, and what was the revenue contribution from Fotia Ceramica and the traction of Ceramica in Karnataka, Maharashtra and Tamil Nadu?

Sukumar Srinivas: See, the Ceramica, the tiles, there has been a growth of around 30% in Q2 compared to the earlier quarter. That is number one. Number two, as far as the traction in Tamil Nadu and Maharashtra, Tamil Nadu was in line with the overall. It was at around 35%. Maharashtra was a tad lower. I think it was around 20%.

Jatin Damania: So how can one look at it, because our key focus was on these three states, Karnataka, Maharashtra and Tamil Nadu. So are we seeing any significant improvement? I agree that last two quarters was the election quarter and the slowdown in the overall building segment. But going ahead, also one look at the performance in terms of these states and the Ceramica going ahead.

Sukumar Srinivas: I think we will see good traction in these states that you mentioned. We are also now focusing on Telangana and Andhra Pradesh, which is also, again, a South-based state. So which is our geographical comfort always when we start any new product, we tend to focus more on our comfort zone geography and then we move forward. So yes, there would be continued, renewed effort in the states that you have mentioned, as well as we are adding Andhra and Telangana.

Jatin Damania: What was the APL volume in the last quarter?

Sukumar Srinivas: We did close to around one lakh tons with them in the last quarter.

Jatin Damania: That's all from my end. Thank you.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments, please go ahead.

Madhur Rathi: Thank you for the opportunity. Sir, it seems that our steel business is growing quite well. And like we have mentioned, 25% growth expectation in the volume terms for FY26. So when can we expect to achieve the upper end of the 2.5% to 3% guidance in the steel areas? Because in each one, we have done around 2.5% to 3% in the margins.

Sukumar Srinivas: Can you repeat on the last question, will you just speak a little louder. What is the last ending question. You talked about steel that is growing. Then what was the question, please?

Madhur Rathi: Yes, sir. So we have given guidance of around 2.5% to 3% in the margins we'll achieve in this segment. So can we expect the upper end of the 3% guidance for this year or the next year in this segment? Or what will drive us to reach the 3% margin in this segment?

Sukumar Srinivas: Yes, I think in steel, if you're looking at margins at an EBITDA level, will be sustained going forward at that 3% to 3.5%. But we are very bullish about the growth. So growth will consistently keep happening.

Madhur Rathi: And sir, since we are guiding a 3.5% margin on steel and 6.5% on the non-steel, we have given upwards of 3% margin for our marketplace business. So is this on a conservative basis or do we see some kind of margin pressure due to inventory corrections going forward? Or is there competition increasing from SG MART and other peers in our main marketplace business?

Sukumar Srinivas: Yes. No, I mean, what is the connection with us to SG MART? I didn't really get that.

Madhur Rathi: When we are saying that our margins, we are optimistic of more than 3% margin in the main business area. So why we are giving a margin of upwards of 3% when we were earlier giving for FY24 a margin of 3.5% to 4% in the marketplace business? So I'm trying to understand, are we lowering our margin estimates because of some kind of competition increasing? Or with this inventory losses coming in, we are making it on a conservative basis, our margin estimates?

Sukumar Srinivas: If you see, the competition, of course, is extremely strong. There is no doubt that we do have an extensive competition from many new players as well as SG MART, etc. However, I think their competition is slightly on a different scale. They are more only on wholesale. We do have a blend. So that is number one. Number two, we are expecting this steady state. See, last quarter, if you really look at the steel part of the business, the EBITDAs were really lower. It was not even at 3.5%. It was at 2+. So it was lower, which was impacted, as I mentioned earlier, because of the steel prices softening over the last quarter, etc. So I think, given the current market scenario, given the competitive intensity and what we expect in terms of the competition to be there, so I think this would be a very steady state. And I think the clear strategy is to push for volume growth.

Madhur Rathi: Okay. Sir, my next question is, when I look at our non-steel business, for the past four quarters, the revenue, although we have shown a Y-o-Y growth, but when we look at the past four quarters, our revenue has been stagnant at INR130-140 crores range. Why is this? And can we expect growth? So we are guiding for a 30%-35% growth, but in the past four quarters, it has been stagnant at a stagnant level. So if you could just help me understand.

Alex Varghese: So, in non-steel, the growth that we are seeing in quarter 1 and quarter 2, is around 35%. Normally, second half will be on the higher turnover. So we are expecting in the second half, our turnover will go up in non-steel, with 30%-35% growth.

Madhur Rathi: Okay. So the second half should more than cover the 30%-35% growth that we are guiding?

Alex Varghese: Yes.

Madhur Rathi: When I look at Fotia Ceramica, as soon as we have given a gross margin guidance of around 12%-15%, but sir, on a PBT level, is it profitable? And what kind of margin from the gross margin can we expect to flow to our operating profit level? That is the final question.

Dhananjay Srinivas: So at PBT, we are profitable at Fotia. And like we have guided, we are at 12% of gross margin. We are aiming with the experience center coming up and with more marketing and other avenues that we can increase the gross margins. Currently, we stand around 7% EBITDA at Fotia. And we are looking at increasing the EBITDA and the gross margins.

Madhur Rathi: Okay, sir. So that was very helpful, sir. Just a final clarification, sir. We guided that there was some kind of inventory loss and higher marketing expenses for this quarter. So what was the marketing expenses that were higher on a Q-o-Q, or a Y-o-Y basis for Q2 FY25?

Alex Varghese: The marketing expense was approximately around INR3.5 to INR4 crores in the first half.

Madhur Rathi: So, this was higher by INR3 to INR4 crores or it was INR3 to INR4 crores H1 to H1?

Alex Varghese: Overall, around INR3.5 crores we have spent for marketing in the first half.

Sukumar Srinivas: Normally, we don't spend much on marketing efforts. And so this time we've had a fair amount of product launches across the country, particularly in Kerala and the South. And we've had a certain other branding expenses which we have incurred in this last six months. So I think there were a lot of influencer events. We had brand launches, so on. So I think normally in the same period we would have barely spent about maybe around a INR50 lakh kind of a budget in the first half. So we have gone up by more than INR3 crores compared to the normal.

Dhananjay Srinivas: And we also sponsored part of this year's CREDAI national conference that was held in Sydney. So, we were part of that because we wanted to increase our presence with the builder community.

Madhur Rathi: So thank you so much and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Ketan R. Chedda, an Individual Investor. Please go ahead.

Ketan Chedda: Hi. Thank you for the opportunity. If I look at your marketplace revenues and EBITDA that you have shown, it comes to about 2.8% for the first half of this financial year, 2.8% EBITDA margins. Now, I think if I heard correctly, you are saying that your non-steel margins would be around 6 or better and your steel would be 3 or better. So can you explain to me why are we so low in this first half of the financial year itself? Because based on what you're saying, we should have achieved more or better margins in this first half?

Sukumar Srinivas: Yes. So I think primarily if you look at quarter 1, we were largely on track. Quarter 2, I think the price of steel, it is very critical. 90%, 88% of our business is steel-based. So when you look at the averaging out, though in the non-steel, we've maintained steady at that 6 plus kind of an EBITDA, where it has not gone down. In steel, I think we took an impact in Q2, which we have mentioned in our opening remarks, as well as we have talked about it over the last few questions. So steel price has softened. There has been a fair amount, a 10% to 12% kind of a decrease, which had approximately about a INR12 crores kind of an impact on our margins. So, I think that is the reason why if you look at Q2, EBITDA per se was only around 2.83. So that explains the decline in Q2.

Ketan Chedda: So, do we hope to recover the margins in the steel business in the upcoming quarters and upcoming years?

Sukumar Srinivas: Yes. So I think we believe that the steel prices are bottoming out currently. We have seen a rollover in the month of October, as well as November, as we speak. So we are fairly confident that steel prices will remain flat over the next, at least this quarter. And there is a scope of a marginal increase going forward. But that is something that we cannot really predict. But the only thing is we are reasonably confident that steel prices will remain relatively stable in the coming quarters.

Ketan Chedda: Okay. And with respect to the acceptances that you've had since Q1 and Q2 of this financial year, I just wanted to know, in the previous years, did we have this kind of an acceptance-related cost in our finance cost item? Or is it only in this financial year that you had this?

Alex Varghese: Yes. In the previous year also, we had interest-bearing acceptance.

Ketan Chedda: But then they were lower in quantum.

Alex Varghese: Yes. The quantum was lower.

Ketan Chedda: And it also could explain, if I compare H1 of last year and H1 of this year, the employee expenses have also increased by 16%, if I look at your Slide Number 13. So could you help understand, is this because of addition of manpower and staff, or how much it would be because of the price hikes and appraisals that you have given to the staff?

Alex Varghese: Yes. In this financial year, we added around 80 additional staff, which has resulted into higher employee cost. Apart from that, the regular yearly increments were given, so those things have affected in the increase in the employee cost.

Sukumar Srinivas: One of the key things we have done this year, particularly in the non-steel, we have added a few senior-level people to handle our Fotia, the brands, etc, etc, at multiple levels. And we have opened up in Gujarat in a big way, in Morbi, we have added a number of people. There has been a substantial management bandwidth also addition. So I think these approximately have led to the about 16% that you mentioned, out of which about 9% were the increments that have come in, and the balance is the addition of staff.

Ketan Chedda: And one question I had with respect to the Morbi experience center, if you could just help me understand, how are we going to benefit by opening an experience center in Morbi? Because I understand for the marketplace business, you would have a lot of your customers visiting your stores. So, if you open an experience center in Morbi, which is, I understand it's a tile hub of India, of the country, but how does it help us improve sales? Because most of your customers would be visiting your stores, which are spread across different states and different locations.

Sukumar Srinivas: Yes. So I think Morbi is where we also get all our manufacturing done, number one. Number two, there are lots and lots, see Morbi straight away reaches us all India, it gives an all India exposure, a; b, it also gives us an international exposure. Because Morbi being the hub, you have n number of buyers who come from all over the country to Morbi, particularly at a trade level, and even at a builder level, and there are a lot of international buyers who come in. So I think this is the most compelling reason why we need to have our base at Morbi, where you have a much larger experience center, we've got 18,000 square feet over there, vis-a-vis at our various retail stores, etce, which could be 2,000, 1,500, etc. So the larger space attracts larger crowds, it is a market, it is a sourcing hub, it is where a lot of visitors come in, larger space, more designs to show. So I think Morbi is very compelling for us to have an experience center.

Ketan Chedda: And if I may ask, how much of the cost we would have incurred in setting up the experience center? And is this part of the capex or it has gone as the operational expenses?

Sukumar Srinivas: I think we have spent about three crores on and in the setting up of the center and it is largely gone towards capex

Ketan Chedda: Yes, thank you so much. Those were my questions. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Neil Bahal, an Individual Investor. Please go ahead.

Neil Bahal: Hello, Hi Everyone. Just wanted to check, I'm a new investor here, so I'm like trying to get a better handle on everything. Just wanted to check on the interest cost. I saw till December, the interest cost was about INR8 crores to INR9 crores, which is suddenly spiked and I understand it's because of payables having interest outgo. You mentioned in the last call that it's likely to revert to normal at some point. Do you have any better clarity as to when this interest cost could go back toINR7 crores, INR8 crores per quarter?

Sukumar Srinivas: The first thing is the normal as taking at INR7 crores, INR8 crores could be a challenge. However, if you look at the progress from Q1 to Q2, there has been a decrease of around INR2.5 crores between the two quarters to one and quarter two in the interest cost. So we are working very hard to see that can we bring it back to a much more controllable level, bringing it back to about INR8 crores, INR9 crores is a challenge. If you look at Q4 last year, it was around INR9 crores. So there isn't a strong, about INR9.75 crores, almost INR10 crores. So I think there is a very, very concerted effort from our side. So, if we can stabilize at least maybe around INR11 crores, INR12 crores in that region.

Neil Bahal: So for the next financial year FY26, can I assume that it could be in the region of INR11 crores per quarter?

Sukumar Srinivas: That's our objective. I mean, any forward-looking statement from my side, we'll always try to work towards the best. So that is a very, very serious attempt that we are trying.

Neil Bahal: All right. And from your presentation, post-demerger, I see that most of the payables are going to the marketplace. That means most of the debt is also going towards the marketplace. Am I correct in my estimate that large part of this debt or interest costs are going to move to the marketplace business?

Alex Varghese: Yes, yes.

Neil Bahal: So it's not clearly mentioned, but if you could, or the CFO could tell me what is going to be the exact debt post-demerger in marketplace and in manufacturing?

Alex Varghese: So, what is happening is the figure what we are given is as on H1 of this financial year. So going forward in manufacturing, we'll be having a debt of approximately around INR100 crores. Including acceptance in the new company, we'll be having around INR450 crores. Overall, around INR550 crores of bank debt will be there.

Neil Bahal: Yes, and so this would be acceptance debt and plus the 100 debt of normal term loans that you have?

Alex Varghese: We are saying about the acceptance and the debt together.

Neil Bahal: So the total debt is right now INR550 crores is what you're saying?

Alex Varghese: Correct.

Neil Bahal: And just again, I'm so sorry to ask a basic question. The marketplace is the business where there are no assets. It's an asset light business, right? But it will also be selling steel products or it will only be selling non steel products?

Sukumar Srinivas: It will sell steel products also.

Neil Bahal: Right. So the thing that you produce at the manufacturing will be sold in the marketplace also. Is there some transfer pricing policy like you know, cost plus something that you sell over here?

Sukumar Srinivas: Going forward, we would like to sell most of our products that we produce directly. And we will bring it down to for our marketplace, we will reduce the quantum of what we sell from our own production, a; b, yes, there is a very clear arm's length pricing when we do look at the transfer from our manufacturing to our marketplace.

I may add another point to your earlier question on interest costs going up. Also, we have to keep in mind and note that the basic rate of interest itself has been increasing. So about 0.5% of the increase in interest costs has come because of the sheer fact that interest costs itself have increased. So I think that itself adds, if I'm not mistaken, to around INR1.5 crores, INR2 crores over the half year, compared to the previous year.

Neil Bahal: Got it. Also, post demerger, now the whole point is efficient capital allocation. Let's say this happens by Q4 or Q1 of next year, the complete demerger happens. We don't expect the debt in the marketplace to increase, right? Because then it will be completely separated from the manufacturing. So, if any growth in manufacturing that you wish to do, that debt would be increasing only over there. And if the ROCE and the cash generation in the marketplace is going to be strong, should I expect that the marketplace side, the debt would keep reducing every year?

Sukumar Srinivas: That is the attempt. Yes, definitely.

Neil Bahal: Would you, I know it's forward looking and you can't really say, but an range or an estimate of what kind of debt can reduce every year?

Sukumar Srinivas: Can we work that out and come back to you? I mean, we'll take your contacts from the call and probably, I mean, the attempt certainly is to go ahead with a reduction. But if I have to quantify it at this stage, we'll revert to you on this.

Neil Bahal: Perfect. If anybody from your team could just send me an email or just call me and would tell me, it would be great.

Sukumar Srinivas: Definitely, definitely. Can we just get your email ID right now, so that we don't have to waste any time on getting it from the sources?

Neil Bahal: Yes, yes. It's Neil, neil@negencapital.com.

Sukumar Srinivas: Sure. Thank you. We'll revert.

Neil Bahal: Perfect. Thank you so much. That's all from my side. Thank you.

Sukumar Srinivas: Welcome.

Moderator: Thank you. The next question is from the line of Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: Thank you very much for the opportunity and for a good, congratulations on a good set of numbers. I have a couple of questions on the non-steel segment of the business. My first question is on sanitary ware. So, I understand that it contributes to about 44% of the non-steel revenue and you reported around 35% of growth in this revenue number. However, when we look at the sanitaryware companies among the listed ones are showing a very mild growth in terms of their top line. To the tune of, say, mid-single digit numbers. However, we understand that there are many private players that also exist in this space. So I just wanted to understand if this 30% plus growth is skewed to certain players?

Dhananjay Srinivas: So, our market share gains and the expansion of our product portfolio in other fulfillment centers, I think are increasing strength in Karnataka, Tamil Nadu. Now we're opening a center in Hyderabad and Kerala, I think all of these are contributing to growth for our sanitaryware. We still feel there's a huge potential for our growth in sanitaryware. Mainly, most of the growth has come from marquee brands like Jaguar, Kohler, Parryware. So you can say with these brands along with our additional centers and more marketing efforts, we are grabbing more of the market share and we are able to bolster the high double digit growth in this industry.

Parikshit Gupta: Okay. Just so I understand this correct, so this is most from brands which are private, not publicly listed?

Sukumar Srinivas: They are private because Jaguar as well as Kohler are privately listed. They are not publicly listed companies. You're right, yes. So if we look at sanitary, the listed brands are like Cera, Hindware, Parryware. No, even Parryware is a privately held company. Yes, you're right. I think we are with the more of the privately listed companies. Yes.

Parikshit Gupta: Understood. Thank you very much. Very helpful. Can I also please understand the retail split of revenue in the sanitary ware segment? You did mention the growth in West and I think in North regions. However, can you just please articulate it again?

Dhananjay Srinivas: So just to clarify, the growth in Western and Central regions has been completely steel growth. It has been the growth of our core business of steel. When you ask for the breakup of sanitary ware, most of our growth of sanitary ware is between Karnataka and Tamil Nadu.

Parikshit Gupta: Understood. That's helpful. Just to follow up on this, if I may, so we understand that at least construction activity was experiencing a slowdown due to the heavy monsoon in South. However, building products are also used for remodeling and refurnishing of houses. Does the company cater more to those kinds of demands? Just a fundamental question.

Dhananjay Srinivas: I think that is also shown in the way if you look at the growth. Steel is predominantly used in foundations and in structures, which do require applications where ground and activity of weather has to be good. But interior works like tiling and bathrooms and upgradation renovation has what has also helped us contribute to our 35% growth in the non-steel. And we do focus on all segments. I think our retail centers and counters focus on end-home users, small-time contractors and plumbers who are predominantly in renovation and basic construction business.

Parikshit Gupta: Understood. Thank you very much. So the second question is on the tiles business. Again, similarly listed place showing very minuscule growth numbers. However, the numbers that we see here are super high. So just some comments on that also, please.

Sukumar Srinivas: I think one is partly whatever we have already given you the reason. Second, I think our base is also lower. Both this has helped. Being a new kid off the block, I think the aggression, the kind of marketing efforts the team has put in at a very micro level, we have mentioned in some of our closing remarks in the opening speech, the biggest advantage Shankara has is we still are maybe a listed player INR5,000 crores top line, but the company acts and behaves as an absolute grounded down to earth at a shop level kind of an entity. I think this is what really sets us apart from many of the other larger companies. So I think this ground level kind of focus really helps us sustain our growth.

Parikshit Gupta: That is super helpful. Thank you very much for your detailed answers. I really appreciate it. That will be all from my end. Thank you again.

Sukumar Srinivas: Thank you.

Moderator: The next question is from the line of Varun Pinto from Negen Capital. Please go ahead.

Varun Pinto: Hi, sir. I just actually wanted some guidance on the growth prospects and the margin for the manufacturing business. Now that we are going to be separating both of those businesses, what is the management's plan for the manufacturing business? I know you guys said that you want to increase capacity utilization, but in terms of revenue and margin, if you could have some sort of guidance of what is going to happen with that business?

Sukumar Srinivas: Our target as far as revenue goes, we would be looking at in the next year, definitely, we have to keep growing in the manufacturing. Like I mentioned earlier, we are looking at around the 50% plus capacity utilization is the first target, number one. Number two, we are very clearly looking at that achievement of a 3% kind of an EBITDA in the manufacturing. I think these are the two very clear objectives and thoughts that we have as of now.

Varun Pinto: Right, sir. And sir, this interest-bearing payables that we take, is that something that we do for the manufacturing business as well or is that only for the marketplace business?

Alex Varghese: This is majorly for the marketplace business. So manufacturing also, some of the raw material suppliers, we are taking acceptance and giving it. So it is a mix of both.

Varun Pinto: Okay, understood. So, could you give me a bifurcation of how much of that goes to the marketplace and how much of that goes to the manufacturing, the acceptances?

Alex Varghese: So out of INR450 crores of acceptance, approximately around INR350 crores will be towards marketplace and approximately around INR100 crores will be for manufacturing.

Varun Pinto: Understood, sir. And sir, in the presentation, you have said that you have reduced INR100 crores of debt in this quarter. So is that the payables, the acceptances which have been reduced?

Alex Varghese: Yes, both, debt as well as acceptance. Both together, we have reduced INR100 crores in this quarter.

Varun Pinto: Last quarter, you said it was somewhere around INR620 crores and this quarter it is INR450 crores, right?

Alex Varghese: INR440 crores to INR540 crores, INR100 crores reduction is there.

Varun Pinto: Okay, understood. That's it from me. Thank you so much, sir, and all the best.

Moderator: Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.

Miraj: Thank you for the opportunity and congratulations on a decent set, sir. Actually, my question has been answered, but just wanted to dig a bit deeper in the non-steel segment where you have an amazing growth. Although you've said it is on a lower base, but then broadly if I see all the players in tiles or sanitary ware, there is no growth. And I'm still trying to navigate through that what other reason is there that the trading growth is possible over here because all the other players I've seen are not showing growth. Is there any other particular reason?

Dhananjay Srinivas: I think two or three reasons. I think one reason is like we said that base is small, we are very aggressive, we are grounded as a team, we are running across with our fieldwork and marketing efforts and the amount of centers we have, we have seen good growth in this. Second, too, is we do have a large number of brands. So, we are not a single brand company, so we're able to cater to multiple diverse customer needs from luxury to premium to mid-segment to lower segment as well. So that obviously definitely helps us gain more market share and more customers as well. And I think thirdly is the territory expansion which we are doing. And I think the focus on sanitaryware which we've always had is being one of our key drivers in non-steel. So I think that's kind of what has contributed and attributed to our growth for this segment.

Miraj: But sir, in tiles, we only have Fotia, right? We don't sell any other tiles or do we?

Dhananjay Srinivas: No, we do do a lot of tiles with other companies. We do good numbers with Kajaria, Somany, Nitco, Simpolo, just to name a few. So we do have that in our retail segment, in Tamil Nadu especially, and in Karnataka as well. So it's not just Fotia. We do have a mix of brands there as well.

Miraj: Okay. And could you just specify how much did tile segment grew year-on-year?

Dhananjay Srinivas: Tile segment grew around 30% year-on-year.

Miraj: 30%. Okay. And sanitary ware would be then somewhere close to 40%?

Dhananjay Srinivas: 45%.

Miraj: Okay. Perfect. And that's it from my side, sir. All the best for the future. Thank you.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical. Please go ahead.

Keshav Garg: Sir, I'm trying to understand that you mentioned that we took INR12 crores inventory loss in the second quarter. So our EBITDA was INR37 crores. So is it safe to assume that from the third quarter onwards, once this INR12 crores inventory is not there, we'll do upwards of INR50 crores EBITDA per quarter?

Alex Varghese: So, we are presently approaching 3 to 3.5 percentage of EBITDA.

Sukumar Srinivas: Yes, broadly, that's a very simple assumption. That's always our attempt to keep that focus on.

Keshav Garg: Sir, since Q2 was even seasonally due to the monsoons, so the revenue should also be higher quarter-on-quarter. And if the inventory -- and sir, one more thing, sir, the interest on acceptances that we are giving, sir, are we giving it primarily to APL Apollo?

Alex Varghese: There are many vendors out there.

Sukumar Srinivas: No, it's not primarily for APL Apollo. It's a mix of all brands and all purchases.

Keshav Garg: Okay. Sir, actually, if we see then, if we compare the first half year-on-year, our revenue is up by 15%. And sir, if we look at our core working capital which is just adding inventory receivable and subtracting the payables. So basically, year-on-year it has increased from INR576 crores to INR583 crores which is almost flat only. There is not much increase in the working capital, core working capital. But the interest cost has actually gone up significantly. It has actually doubled year-on-year. So what that means is that for the same basically, working capital not having gone still, so basically the competitive, the terms of trade have deteriorated for the company basically. So why is it that, I mean, it seems that.

Moderator: Sorry to interrupt, sir. The current participant has been disconnected. We will move on to the next question. It's from the line of Anuj Jain, an Individual Investor. Please go ahead.

Anuj Jain: Hi, sir. A couple of questions from my side. Can you throw some light on the point which you have mentioned in your presentation, distribution of JSW and AM/NS, like ArcelorMittal Nippon Steel, what kind of products we are distributing for these companies?

Sukumar Srinivas: JSW, it is both JSW and AM/NS. JSW is largely HR coils and HR sheets as well and in the case of AM/NS, we are across the board we do deal with their HR coils, sheets. We have the GP. We have the value-added color-coated products, GC, CR, etc.

Anuj Jain: And for which territory it is?

Sukumar Srinivas: Actually, AM/NS is across our areas of operation. JSW is only currently in Karnataka.

Anuj Jain: And can you help me in understanding one thing, how these fulfilment centers are different from stores?

Sukumar Srinivas: Yes. The fulfilment center - you see the stores primarily cater to a retail kind of walk-ins, etc. While the fulfilment centers we are catering to a much larger audience where it could be wholesale customers, it could be the end customers, project customers, etc. So, I think it is a mix of the entire thing. So, if you look at fulfilment centers, the definition would be mix of the store plus the warehousing and processing units too.

Anuj Jain: Okay. So, it is kind of big format stores?

Sukumar Srinivas: It's not really necessarily large format stores, so to speak. I would say it is catering to a larger customer profile.

Anuj Jain: Got it and one last question I mean how are we doing in this online marketplace business? I mean, kind of portal which we have launched that online sales. Any numbers we are driving from there and any further plans?

Dhananjay Srinivas: So, currently we are around you could say INR1 crores a month kind of sales that is coming out of it. It is purely from sanitary and fittings. But we are now adding steel to the platform as well, we are adding a few more products as well. So, we are looking to see how much more revenue we can generate out of this. We are also using our online store as a discovery platform, as an experience center as well. So, customers can see the various brands and products that are available at BuildPro. And we do get a lot of offline footfalls and walk-ins thanks to our online presence as well.

Anuj Jain: Got it. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I think I lost you last time. So, what I was trying to make the point that even though our H1 revenues are up by 15% year-on-year, our interest cost has doubled. Even though our net working capital is flat from INR576 crores in H1 of FY24, it has increased to just INR583 crores. So, what it seems is that we have started paying interest on acceptances of payables to parties that previously we were not paying. Sir, so can you just explain that, is that thinking correct and if so then sir, basically has our basically terms of trade deteriorated for the company?

Sukumar Srinivas: No, I don't think that is so. If you look at, first is in terms of trade, when you look at the raw material cost plus the interest cost, you will see that the margins have really not deteriorated at all. It is more or less same, whatever impact that in quarter 2 would have happened or in the first half could have happened, the slight deterioration will easily be attributable to the raw material kind of waste that we took in the first, the second quarter particularly, number one.

Number two is, whenever the management will always take calls when we see options of debt financing versus taking the creditors as a means to fund working capital largely. So, last year the call was more to take on with the creditors wherever possible. This year we find that wherever sometimes the creditors withdraw certain terms, so their cash discounts may not be lucrative enough. So, where we do find that debt financing is much better. So, I think that is one of the key reasons why the debt to some extent in the acceptances area has gone up and that is, broadly I can that is the answer that I can give you.

Keshav Garg: So, basically we have not started paying interest to parties that earlier we were not paying?

Sukumar Srinivas: No, not at all.

Keshav Garg: Okay. Sir, also sir we are barely doing INR5,000 crores revenue and I am assuming most of it is coming from South India and South India is contributing 40%, 50% of the GDP. So, why is there a need to then expand into new territories? Why not saturate the area which is our core? So, possibly there will be some synergy if we expand in South India itself sir because INR5,000 crores is hardly like, it is not that we have totally penetrated the southern market and now we need to go to new states. So, sir, what are your thoughts on that?

Sukumar Srinivas: See, we have always reiterated your point. Thank you for reconfirming our stand that has been so for the last many years. So, one of the things that we, if you look at even our breakup of sales, largely our 80% plus percent is in South India, even today. We have grown in the steel area in the western region. So, if you look at again from a GDP perspective, if you add South and West, I am looking at Maharashtra and Gujarat. I think with I mean going on your statistic, probably 70% of India's GDP then comes from these two states, though I believe it is closer to 65. So, I think getting a little bit of a foothold in the western region is very critical also, because there is lot of, Infra, Maharashtra still remains the largest state in terms of GDP in the country. Gujarat is also very developed and a forward state in terms of contribution towards GDP. So, I think it is very, very important that we keep a foothold and more than a foothold in these kind of states, number one.

Number two is we have also moved into central India, that is Madhya Pradesh. We also believe that going forward, these some of these states, the central states like Madhya Pradesh going Northwards, may be towards Uttar Pradesh, Rajasthan, we do see that there is going to be a lot of growth potential in the future. These are states which are starting at a low base. They have a lot of Infra projects, there has been a lot of focus from the central government in some of these states. So, I think it is imperative, even if we do not have a very, we do not, I mean, it is not that we are growing in these states and the sacrifice in the South. We will continue to saturate and keep most of our new fulfilment centers, etc, etc. The plan is to grow in the South.

Keshav Garg: Sir, also since we are an organized retailer cum wholesaler in the building material space, sir, now the organized, let us say, tile manufacturers like, let us say, Kajaria or for that matter, pipes and steel in APL Apollo, sir they are already well-established, they have their own distribution network, they have their own brand pull. So, if we are selling their material only from our store then, sir, obviously, they will not give us good terms. I mean, if we are able to sell, like, let us say, sir, there is a huge overcapacity in tile. So, if we can basically sell unorganized sectors, the small players which are unbranded, if we can sell their material from our store and we can do quality control, so that is where I think the real opportunity is, sir because then we can really get good margins also and we can extract good credit terms or working capital terms also from those suppliers. So, basically, what are your thoughts on that, sir? So, I mean, should we not reduce our dependence on the established players and try to sell the material of basically small players?

Dhananjay Srinivas: I think this answer has two parts to this. I think one would be regarding steel and one would be regarding non-steel because both industries work differently. Mr. Ravikumar will talk about steel, but for non-steel, I would say that Fotia is born out of this. I think there is a niche and opportunity in the tile industry where we could find a space and that is where we did come in. I think when it comes to sanitary and fittings, since the brands are visible and all the marquee brands are spending huge in marketing, customers do come in for brands. I think there will still always be a pull for Jaguar compared to an unknown brand coming out of any other manufacturing. So, I think a good mix going forward would be good for us in this in the non-steel segment. For steel, I would ask Mr. Ravikumar to address.

C. Ravikumar: As regards steel, most of the manufacturers who are established, they have to route their material through distributors like us. It is very important for them and it is equally important for us also to have them in our portfolio. It helps in a very big way for both of us.

Sukumar Srinivas: The second, I mean, when you are saying about brands like why only do Apollo and why not others. See, today there is a brand pull from the end customer. See, India is a very peculiar country where most commodities are branded. So, the customer, I mean, you look at it India is probably the only country where steel is branded, cement is branded, plywood is branded. Lot of commodities are branded across the board. And when we do talk to some of the even multinational manufacturers of glass, various things, they are quite surprised and amazed that the way the branding is being done in India, right down to our TMT steel, so on and so forth. So, one cannot really disregard the brand pull in this country. So, I think we will have to find a balance between brands as well as non-brands. And I think when it is non-brands, like you rightly said, we will have to have quality monitoring and it is a phased step-by-step process.

Keshav Garg: And lastly, sir, if we look at the competition like, Infra.Market or SG Mart. So, those people, sir, their cost of equity is so low because they are able to raise capital at a multiple of sale. So, then does that not, basically, how do we compete with these people? I mean, since their cost of equity is so low and whereas for us, it is not the same.

Sukumar Srinivas: A, you yourself answered the first part is, fortunately or unfortunately, we are not a start-up. So, A, we do not have money to burn. So, every way we look at it, we have to account for our expenditures and ultimately the bottom line. That is number one. Number two, these guys are looking at their whole business model very, very differently. They are at a much larger scale in terms of wholesaling and so on. We have the unique model where we have got retail. We have, I mean, a very vast number of end customers. We have got a huge, huge customer base and I think our 40-year-old legacy is not going to waste over there. We are very grounded. We have got a strong presence in Tier 2, Tier 3 kind of cities. So, I think our very, very expanded wide network is holding us in good stead. So, though those guys will raise capital at a lower price, we will have to bear that cost. But I think in the long run, the kind of base, the kind of expansion of customer base, I think will hold us good in the long run.

Keshav Garg: Sir, and lastly, sir, you think that in the second quarter, sir, our performance has bottomed out on the, let's say profit after tax level, after interest and everything, and going forward, sir, things should pick up from here at least on a quarter-on-quarter basis?

Sukumar Srinivas: Definitely, yes.

Sukumar Srinivas: Just to take back to your earlier question, you looked at only from an interest cost, but if you look at it even from an RoCE level, I think in this context, probably RoCE could be the final arbitrator. So, when we look at, when we get into the marketplace model, which is very, is something we are driving towards, I think then our comparison should go to that maybe at that time.

Keshav Garg: Sure, sir. Thank you very much and best of luck.

Moderator: Thank you. The next question is from the line of Neil Bahal, an Individual Investor. Please go ahead.

Neil Bahal: Hi, sir. I just wanted to check on the manufacturing business. I had three questions for that. You said that your aspiration is to get to 50% plus in utilization level and some sort of a 3% EBITDA margin. Where do you stand currently in your utilization level, and by when do you think you can get to, let's say, 75% - 80% utilization?

Sukumar Srinivas: See, we have currently, we have just about hit the 50% mark. That was our target number one. So, as far as 70%, we like to sustain this 50 plus, around 50-50 plus for the next, this coming two quarters. That is objective number one. Number two, after that, once we sustain at that level, and we are able to focus and get our EBITDA up, I think that then we will look at the 70% - 75% kind of capacity utilization probably after the demerger process.

Neil Bahal: Understood. Now, I want to understand that this, when you said 3% EBITDA target, that's at 50% utilization, or that will happen later at 75% - 80% utilization? Because when does the operating leverage play out here?

Sukumar Srinivas: I think the operating leverage to some extent has already started playing out. If you look at from the profitability of Q1 to Q2, we have actually crossed the, at least from a break-in level, it's slightly improved. I can't say a substantial improvement. Of course, we were impacted because of the raw material prices, etc., in Q2. So, I think we are nearing there as far as the leverages and the profitability should start kicking in. And certainly the 3% - 3.5%, we will see if we can get that going by around that 60 - 65% kind of capacity utilization.

Neil Bahal: So, 3% can come back at 60% utilization?

Sukumar Srinivas: Yes, broadly.

Neil Bahal: And that is like mostly post the de-merger sometime in FY '26?

Sukumar Srinivas: Yes.

Neil Bahal: What is the maximum, what is the peak revenue here?

Moderator: Can you please fall back in the question queue for further questions?

Neil Bahal: This is extremely important, what I'm trying to ask. Can I ask one more question?

Sukumar Srinivas: Sure, please go ahead.

Neil Bahal: I want to understand what is the peak revenue of our manufacturing setup?

Sukumar Srinivas: Peak revenue should be in the range of around INR1,400 crores, INR1,500 crores.

Neil Bahal: INR1,500 crores. And the peak margin is also 3% or the peak margin can be more than 3%?

Sukumar Srinivas: I mean, we will guide at this point of time for 3, always the aspiration is to build up.

Neil Bahal: Obviously, because if at 60% we can get to 2.5, 3, then at peak we should be at 4, probably 4.5. Is that doable in your estimate?

Sukumar Srinivas: The attempt is always there, Mr. Neil.

Neil Bahal: Got it. Thank you so much, sir. This helps a lot. Thank you.

Moderator: Thank you. The next question is from the line of Amit Mehendale from RoboCapital. Please go ahead.

Amit Mehendale: Hi, thanks for the opportunity. I have a question on the growth of steel business. So currently, we have been growing really well. But how do you see the growth 2 - 3 years out? And what are the key drivers there, growth drivers?

Sukumar Srinivas: I think we do see a sustained growth of, I mean, our target is from a volume base, definitely at that 20% - 25% kind of a growth. We are very clear. We've already guided in our presentation itself that we would like to hit the 1 million mark in terms of the steel tonnages in the next year. So that is something that we have already given an indication for '25, '26. So that is something we certainly aspire. And coming to the drivers for growth, I think there is a huge infra spend overall in the country, which is led by railways, by roads, by ports. Then there's an enormous building material, the building and the construction boom that is happening in many pockets of the country. So I think it is a multi-faceted growth push that is driving the demand for steel.

Amit Mehendale: Thank you. I mean, if you look at the number of stores or fulfillment centers that we're adding, those numbers are fairly modest in terms of growth rate of where we are today. So what type of market share gain are we factoring in? Can you talk a little bit about market share?

Sukumar Srinivas: Market share of steel?

Amit Mehendale: Yes, on the steel business.

Sukumar Srinivas: Steel business, honestly, if you look at the entire demand of steel in this country is upwards of 100-odd million tons, comfortably in the country, and it's only growing forward. Looking at the kind of expansion that some of the big JSW, Tata Steel, etc., are going about, I think they are projecting, I mean, the government as well as the organized sector, as well as the secondary sector in steel manufacturing, etc., want to take India to about 250 million ton kind of a consumption market. So I think if you look at the very big picture in India, I mean, we are still a dot on the firmament. So the runway is huge.

Amit Mehendale: Great. That's it from my side. Thank you.

Moderator: The next question is from the line of Varun Pinto from Negen Capital. Please go ahead.

Varun Pinto: So, sir, currently, we are giving our segmental revenue, like steel and non-steel, right? But post the demerger, how much is going to be the contribution of steel in the marketplace business?

Sukumar Srinivas: You're asking about the immediate near future. I think our target is about 80% of steel will be in the immediate future in the marketplace business.

Varun Pinto: Okay, so when the demerger happens, 80% of the revenue will be coming from the steel business and 20% from the non-steel business. And the non-steel business is going to keep increasing over the years, right?

Sukumar Srinivas: Correct.

Varun Pinto: Okay, understood. So thank you so much.

Sukumar Srinivas: Thank you.

Moderator: The next question is from the line of Ketan R Chheda, an Individual Investor. Please go ahead.

Ketan Chheda: Hi. Thank you for the opportunity again. So I just wanted to understand, like for this year, what is the revenue expectation or guidance that you could give for the marketplace over FY '24? And also the margins guidance, if you can give, please.

Sukumar Srinivas: Yes, I think the broad growth this year, we can expect in the region of, around 15% to 20% in the volumes of steel and 30% - 35% in the non-steel. So I think blended growth will be in the region of around 20% or so in terms of the revenue uptake.

Ketan Chheda: Okay, and margins, if you can give some indication?

Sukumar Srinivas: I think we definitely will be in the region of upwards of 3% EBITDA level.

Ketan Chheda: Yes. Thank you so much.

Moderator: Thank you.

Sukumar Srinivas: I think we've gone up to around 12:15, 12:20 now. So are we still having any questions in the queue?

Moderator: No, sir, there are no further questions. You can go ahead with your closing comments.

Sukumar Srinivas: Yes. So thank you very much. And it has been a real pleasure attending this Investor Call. Thanks to all the people who have attended here today. And I hope we at Shankara, have been able to give you satisfactory answers. And we look forward to your continued participation with us. Thank you so much. Bye-bye.

Moderator: On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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