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(भारत सरकार का उपक्रम)



MSTC
LIMITED
(A Govt. Of India Enterprise)

CIN : L27320WB1964GOI026211

225C, A.J.C BOSE ROAD, KOLKATA - 700 020, INDIA
PHONE : 91-33-2290-0964, 2287-9627 / 7557 / 0568
FAX : 2287-8547/2290-7211/2281-3089, 2287-4915(ERO)
website : www.mstcindia.co.in • www.mstcecommerce.com

MSTC/CS/SE/178

10th September, 2020

1. The Dy.Manager (Listing)
BSE Limited
PhirozeJeejeebhoy Towers,
Dalal Street, Mumbai 400 023.
(Scrip Code: 542597)
2. The Manager, Listing Department
National Stock Exchange of India Limited
Exchange Plaza, BandraKurla Complex
Bandra (E), Mumbai 400 051
(Scrip Code: MSTCLTD)

Dear Sir/Madam,

Sub: Transcript of Conference Call with the Investors/ Analyst

The Company had organized a conference call with the Investors / Analysts on Friday, 04th September, 2020 at 4:00 P.M. A copy of transcript of conference call held with the Investors/ Analysts is enclosed herewith for your information and records.

Copy of aforesaid transcript is also hosted on company's website www.mstcindia.co.in.

Thanking you,

Yours faithfully,
For MSTC Limited

(Ajay Kumar Rai)
Company Secretary and Compliance Officer



Encl: as above



“MSTC Limited Q1 FY2021 Earnings Conference Call”

September 04, 2020



ANALYST: MR. RUSHABH SHAH - EQUIRUS SECURITIES PRIVATE LIMITED

MANAGEMENT: MR. SURINDER KUMAR GUPTA - CHAIRMAN & MANAGING DIRECTOR – MSTC LIMITED
MS. BHANU KUMAR - DIRECTOR (COMMERCIAL) – MSTC LIMITED
MR. SUBRATA SARKAR – CHIEF FINANCIAL OFFICER & DIRECTOR (FINANCE) - MSTC LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the MSTC Limited Q1 FY2021 Earnings Conference Call, hosted by Equirus Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushabh Shah from Equirus Securities Private Limited. Thank you and over to you Sir!

Rushabh Shah: Thank you Faizon and good afternoon to everyone on the call. On behalf of Equirus Securities, I would like to welcome you all to the Q1 FY2021 earnings conference call of MSTC Limited. From the company, we have with us the key senior management team including Mr. Surinder Kumar Gupta, Chairman and Managing Director; Ms. Bhanu Kumar, Director (Commercial) and Mr. Subrata Sarkar, Chief Financial Officer and Director (Finance). Without wasting the time, I would like to hand over the call to the management team for their opening remarks and then we can open the call for the Q&A. Thank you and over to you Sir!

Surinder K Gupta: Good afternoon everybody. I am S.K. Gupta, CMD, MSTC. With me are our Director (Commercial), Madam Bhanu Kumar and Mr. Subrata Sarkar, Director (Finance).

We have declared our Q1 results yesterday in the board meetings and the detailed presentation regarding the earnings and the revenues will be given by our Director Finance. As everybody knows that this quarter is not very good for our company also as is for the economy at large although MSTC is e-commerce company and our operations for e-commerce servers were all running all the time during this complete lockdowns or even partial lockdown but the customers were not able to avail the services because of the restrictions for taking up the materials, so that is why the results are not encouraging in that sense, similarly for our subsidiary, FSNL which is primarily based on steel plant operations, so, there also because the steel plants operations were affected adversely because of this pandemic, so, similar thing has happened there also so, there earnings have also been adversely affected. We all hope, we all wish that the things will get to normal very soon and the business climate has taken a pick-up especially from the month of August. So, hopefully we are expecting much better results in the Q2 and next two quarters for the current financial year.

So, with these opening remarks, I will handover to our Director (Finance) for the presentation on the financial results, Mr. Subrata Sarkar.

Subrata Sarkar:

Good afternoon to everybody. As our CMD has narrated that it was very difficult time not for only our company as well as for the economy, so, anyway we tried to do at the best as we can from our side. So, these are the certain highlight that I like to point out first.

The operational performances of the standalone so let us go to the volume. During the Q1 2021, the company crossed 57.43 billion in terms of goods transacted through its marketing and e-commerce vertical which is 73% decline over the value of goods present in Q1 2019-2020 and accordingly the consolidated revenue was 1017.93 million in Q1 as compared to 4854.14 million in Q1 of the corresponding period of previous year. So, decline is almost 80% largely driven by degrowth in the marketing business, which was a conscious decision of the management.

The PBT is 4.58 million in Q1 as compared to 453.54 million in Q1 2019-2020. In the business updates part, COVID-19 pandemic and lockdown protocols have led to several disruptions during this quarter. Being an E-commerce service provider • COVID 19 pandemic and lockdown protocols have led to severe disruptions during the quarter. Being an E-commerce service provider, on infrastructure and facility front MSTC was ready to provide the services. However, at recipient end there were disruptions, affecting both the turnover and the profit during the reporting period. Therefore, the performance of the Company for this quarter is not comparable with corresponding period or any period of previous year because it is a very exceptional situation that is prevailing in the whole ecosystem throughout the world. The scarp auctions were not much during the period which forms a substantial part of our earnings. However, there were auctions for Coal, Timber & Iron Ore etc. but the volumes were quite less giving us a less remuneration.

In the meanwhile, we have taken a new endeavor during this quarter. MSTC has taken up the auctions for Molasses for sugar units in Andhra Pradesh, which we want to project as a new type of auction in the coming days to come.

Now let us come back to the standalone financial highlights of Q1 2021. The total revenue for the Q1 2021 is 341.70 million as compared to 3999.95 million of quarter of 2019-2020. Of these, the marketing stood at 116.20 as compared to 3495.76, e-commerce stood at 224.65 as compared to 503.32 and others 0.85 as compared to 0.87. EBITDA pre-provisioning was 83.36 as compared to 475.65, provisions, as per the provisioning policy that the company has taken from the third quarter of last financial year is 25.83 as compared to nil of the previous year.

PBT thereby comes to 27.23 million as compared to 387.18 million down by almost 90%. PAT comes to 2.53 as compared to 251.93 down by almost 99%. EPS of course on the same

front, which is 0.04 as compared to 3.55 down by almost 99% and cash profit comes to 35.6 as compared to 255.74 down by 86%.

In the segment wise if we go, the revenue from e-commerce is 224.65 as compared to 503.32 which e-auction was 181.87 as compared to 396.15 down by almost 54%, e-procurement was 16.5 as compared to 46.2 down by 64%. Other income 26.28 as compared to 65.97 down by 56.91%. Revenue from marketing is also very conscious effort and approach of the management to scale it down is 116.20 as compared to 3495.76 down by 96% and of course PBT is 27.23 as compared to 387.18 and PAT is 2.53 as compared to 251.93. This is what our standalone part.

If we go through our consolidated part, the total revenue is 1043.69 as compared to 4915.43. Profit before tax is 4.5 as compared to 453.54. Profit after tax is loss figure of 27.69 as compared to 290.77. EPS is of course in a negative path as compared to 4.13 but we have had a cash profit of 60.78 as compared to 229.78.

If we go to our summarized profit and loss statement, revenue from operations is 335.78 as compared to 3960.38. Other income is 5.92 as compared to 39.57. Employee benefit is 172.71 as compared to 168.10. Finance cost reduced considerably 23.03 as compared to 84.68, depreciation 7.27 as compared to 3.81, provisions as already stated earlier as per our policy is 25.83 as compared to zero of the last quarter. Other expenses 85.63 as compared to 55.58. PBT is 27.23 as compared to 387.18 and PAT 2.53 as compared to 251.93.

Here, we would like to point out one thing that this other expense includes 5 Crores contributed by our company to PM Cares fund, so actually we have contributed for the benefit of the nation by maintaining our profit percentage also. This is towards our social responsibility and the greater cause for condition.

In the consolidated part, revenue from operations is 1017.93 as compared to 4854.14. Other income stood at 25.76 as compared to 61.29. Employee benefit expenses 415.74 as compared to 438.07. Finance cost stood at 25.58 as compared to 85.68. Depreciation stood at 47.93 as compared to 38.51. Provision comes to 40.54 as compared to 0. Other expenses stood at 439.39 as compared to 476.84 and of course PBT comes to 4.58 as compared to 53.54 and PAT is a loss 27.69 as compared to 290.77.

As a group along with our subsidiary, we have contributed 10 Crores to the PM Cares Fund at the greater cause of condition and that is all from our side and I would like to request that commercial tell something about the highlights of this quarter.

Bhanu Kumar: Good afternoon all of you. As can be seen from the results, it is not very encouraging but this was that the lines our expectations, we all knew what circumstances the businesses are facing and our operations were not completely stopped at any point of time but then the transactions were not happening just because none of our clients could operate anything, carry out any transaction in our portal, so that is probably the reason that the figures are not as good as it could have been.

Secondly, there were too many restrictions on the movement of material though coal and minerals were exempted from the category of exempted category essential services but then the transactions were not happening because the businesses were simply not there but the silver lining is that the business has picked up to some extent in the second quarter, we are already about two months after the first quarter and businesses have picked up, there is a ray of hope here. The iron ore prices have firmed up, the ferrous scrap prices and overall steel market is showing signs of improvement, so we hope that the second quarter results will be much better at least it will be at par with what it was last year, so that is an assurance that I can give about Q2 and probably the next quarter, two quarters also, so there is a line of hope and we have to live on hope now. Thank you.

Surinder K Gupta: This is all from the management side. Now, we can take question and answer please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Richa Jain from ANS Wealth. Please go ahead.

Richa Jain: Sir, thank you for giving me this opportunity. I have couple of questions. The first question is regarding your trading business, you said earlier that we are going stop the trading business from August 2020 but there will be receivables pertaining to this business till September 2021. I wanted to know, have we stopped the trading business and if yes, then why we would see the receivables of the trading business in our books till next year?

Surinder K Gupta: We have stopped the trading business, basically we are not entering into any new commitments as of now but whatever the receivables and some figures you see in the results, these are out of the previous commitments that have been answered by the company. So, this will continue for a quite some time but the rate of decrease is very large, I mean if you see the figures comparatively, let us say, Q1 2019 to Q1 2020, you will see the results sizeable downsize, even from the Q4 of 2019 to Q1 2020, the figures are much, much less, so, that is basically the strategy on which we are working. Some figures will appear for couple of quarters more.

Subrata Sarkar: Let me supplement Madam. What is happening over here, with the commitments are there and there is a payment time also, so, as already detailed in the presentation of our final Q4

of FY2019-FY2020, we are still that you are referring to that these receivables will remain to be in the balance sheet at least till September 2021, because some of the suppliers are still being continuing in our associate model and this will keep on continuing till December-January. That is the payment cleared and I think we feel that it will be there at least September till 2021.

Richa Jain: Sir basically you have completely stopped the trading business from August, but the receivables will continue is what you are trying to say because of the prior commitment, right?

Subrata Sarkar: Yes, that is correct.

Richa Jain: Okay, what would be the receivable amount right now pertaining to this business and if you could give a breakup?

Subrata Sarkar: Basically this P&L get reviewed for this quarter and you will come to know the exact reviewed figure of when we publish our balance sheet in the month of September, so, wait for a couple of months, you will get the exact figure while we publish our review balance sheet for the September half yearly but as CMD Sir has narrated and we are telling it will be as late as compared March 31.

Richa Jain: Okay but can you give some color as it is going to be more BG backed or more on...?

Subrata Sarkar: Yes, coming back to that, it is basically, it will have the same proportion as of March 31, it will be mainly of the BG backed and your associate model, which is backed by suppliers guarantee, so, basically it will consist of mostly secured portion than this unsecured one and secured one that is we have maintained that it will continue to remain for sometime of the same level as in the month of March, that we have narrated to you.

Richa Jain: Thank you Sir. My next question is regarding the e-commerce business, I understand we have four models in e-commerce, selling agency, e-sell, e-procurement and e-solution, so, if you can give the breakup of different segment wise breakup as on March 31, I think the total revenue from e-commerce was close to 200 Crores, so, a) if you could give me the breakup in terms of different models and b) how much of this 200 Crores is we can safely assume as a repetitive number or a repetitive revenue and how much of it like event based kind of revenue going forward?

Subrata Sarkar: Let me answer you one by one, so far accounting concerned generally, generally we go by the client wise accounting, so a client may offer us some this event based, the same clients may have some percentage wise, so, exact breakup is very difficult to say but still we can

say that the almost more than 50% we are getting out of this e-commerce and this scrap sale, scrap sale becomes so, around 40% to 45% derive it from the scrap sale which is basically on the percentage and others are also event base and mix of percentage, so, like around 50% to 60% of that may be because it is very difficult, we do not have that type of accounting over here, so, we will go by the clients billing basis.

Richa Jain:

Sir just wanted to understand on a repetitive or on a future guidance perspective, how much revenue can be assuming, will we have for a long term and not like a onetime kind of a thing from this model?

Bhanu Kumar:

In fact, most of the revenues that we are talking about, in fact I would like to correct you, last year the e-commerce revenue was about Rs.183 Crores not around Rs.200 Crores so, out of that about 45%-46% is through scrap auctions, that is our major revenue earner that is on percentage basis and most of these agreements are on perpetual basis, like it is not that one off kind of business and in fact almost 80% to 90% of it we have been having for more than five year to ten years now. The second thing as far as the raw material sales we call the e-sales that is on percentage as well event basis also, but there again the agreements are for very long duration at least three years. So, there also the business is there, the one off kind of things happen especially for the government projects, like the spectrum auction that is not going to be a perpetual thing it is going to be fixed price with term and it is event based so, these are government projects basically and for coal auctions we are charging on event basis but the agreement is for a very long duration. So, it is like we have the business in hand and the revenue streams are defined in the businesses itself whether it is going to event based or percentage based. But the business is going to be there for quite some time and there is nothing like one off agreement will carry of one event and then the business is lost, no. That is probably just about 1% or 2%.

Surinder K Gupta:

I will add to the query as Director Commercial has explained, most of these agreements are long-term and the principles are normally genuinely agreement right, but there may be few cases, one of cases where the requirements are not there or the people choose some other operator but nevertheless, if we lose one principle we get two new principles also, so some churning out as in the normal business case we will always see there some principles will keep on coming, some will keep on going also. But by and large our business is quite robust model and this giving, the people are basically having faith in our business, in our e-commerce process that is why they are coming to us again and again to take this business not only the government plants even some few very big private clients are there.

Richa Jain:

Okay, and Sir, just one more question it is follow up as Madam was saying regarding the spectrum auction and the coal auction under the e-solution segment. So, what kind of

revenue potential do you think these auctions have, can you give some ballpark number or some light on it, Sir?

Subrata Sarkar: So, it is basically revenues are depending upon the outcome of the auction. At this juncture we are unable to tell how the auction will be successful, how much the bid price will be there and how much auction will get there is a lot of permutation and combination. So, it is very difficult to tell at this juncture that how much revenue you would garner but it is a very prestigious auction so far MSTC is concerned and we would like to do it and we have already taken all the initiatives and we are prepared for the final call from that respective ministry.

Richa Jain: Can you give any ballpark range or any number to it if possible?

Subrata Sarkar: No, at this moment it is difficult to tell.

Bhanu Kumar: No, in fact spectrum auctions we aren't looking at big numbers as far as service revenue. This was basically done. It is huge challenging job. We took up this challenge. Secondly, because of this experience we will be banking on it for a further expansion of e-commerce services to other clients also. So, the numbers are not very big as far as spectrum auctions are concerned, Coal has been the mainstay of one of our e-commerce verticals, sub-verticals. So, coal business will keep happening as long as coal mining happens.

Richa Jain: Sir just last question if I can squeeze in. So, what according to you is going to be the key driver in the e-commerce segment going ahead say for four year or five years perspective?

Bhanu Kumar: The initiative of the government of India "The Digital India" where all the transactions which were being done on allocation basis, first come first basis, the sale of natural resources, now everything is happening on e-platform. So, obviously that is a big driver for us and since we have the requisite credentials, we can bag those orders. So, that gives us lot of confidence to take any kind of assignment from the government or from any sector.

Richa Jain: Thank you Madam. I have couple of more questions I will join back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Jeevan Patwa from CandyFloss Advisors. Please go ahead.

Jeevan Patwa: Thank you for the opportunity. So, under your agency business there are three types of business that we do, one we were doing cash and carry business, second was bank guarantee and third was associate. So, are we saying that we have stopped all three or we have stopped

only cash and carry business and we are going to continue the bank guarantee and associate model?

Bhanu Kumar: Cash and carry has been stopped since last April itself. We have not entered this business since last April i.e., April-2019, so we had been continuing with bank guarantee and associate supplier even that has been stopped from this month onwards as committed in our last meeting. So, there are no new engagements, no new procurement under these models also, we have stopped this agency to the trading business completely. We are just in the recovery mode we are just trying to recover whatever receivables are there and that will be the focus now.

Jeevan Patwa: In last call you said there were some 120 Crores, which was there in cash and carry business which made, which would have to write off so any update on that?

Bhanu Kumar: Process is still there. One of the clients as again gone to NCLT so the legal processes are very long. We are just coping up with all the procedures that we need to, we are not sure as to what we will be able to recover from those processes. It is too early to comment on that, but the volume is that much only that is maximum that is under stake Rs.120 Crores or so, nothing beyond that.

Jeevan Patwa: In your annual report you have mentioned about two things. One is e-retail software where you say that this sector holds a great opportunity and potential for MSTC in future. So, can you just elaborate on this e-retail software what you are basically talking?

Bhanu Kumar: So far what we have been doing is preparing lot of software's and applications and hosting on our own server. So, there were lots of requests and requirements from our clients that they can host certain software in their own environment, their own servers or probably on cloud also. One such example is the online draw system that we have developed for the oil marketing companies where selection of petrol pump and LPG dealership can take place. The entire data and everything are done on cloud-based servers. So that is retail software that we are talking about apart from that we do lot of internal applications that we are using ourselves. So, the idea was to retain it so that clients can also use the software that we are ourselves using for quite many years. So, we will probably be packaging and selling that as retail software that the whole set will potential but then there are some challenges also, we are trying to address those challenges and going forward we will be focusing that area.

Jeevan Patwa: Second you talked about E-waste and solid based management sector which is sunrise sector. So, are you planning on the E-waste and solid based management sector?

Surinder K Gupta: As of now nothing is planned in that. Basically we are providing the e-commerce services and directly entering into that area except whatever we have our joint venture for end of life, dismantling there also we are dismantling and we are basically taking out the spare and steel and whatever components are there, there also we are selling to the right people wherever utilization is, like us people wherever licensing requirements, there also we are selling to the open market the spares or the steel or whatever arising are there. They are also like us. E-waste for plastic waste or let us say petroleum waste there we are not processing; we are only selling into such kind of licensed people. As of now we do not have any business plans to enter those areas.

Jeevan Patwa: Great and on the e-procurement side can you just explain me how you see the potential on the e-procurement side because, I think like currency the note printing we are using your reverse auction and e-bidding software. Can you use it as Software as a Service or can you basically give it on the SaaS, Software as a Service basis to other government agencies to use it for e-tendering and reverse auction?

Bhanu Kumar: As on date, we are not planning to retail that. What we are doing is opening all those software applications in our own servers, because this involves lot of safety, security and we have the necessary clearances for hosting in our servers. For security printing, minting corporation we have signed this agreement and we were supposed to have training programs and all but because of pandemic that has somewhat been slow. In this quarter, we are expecting that the actual transactions the platform will be used by those companies and it will start happening, but it is not hosted our own service as on date it is not there on the client's server.

Jeevan Patwa: If some more companies, government organization want to use it then it will be hosted in your own server only they will basically?

Bhanu Kumar: We have upgraded our e-procurement solution and it is a very common kind of a platform where any government organization can just hold the events and whatever facilities they want it can just be added on. So, any organization can use the platform as it is.

Jeevan Patwa: Okay, and on the scrap sale side right now you say that it is almost 45% of your e-commerce business and it is mostly the government, so PSUs basically are selling the scrap through you now we are also on boarded few private clients like, Reliance, Adani, L&T and all. So, how much is the potential you see from the private player, can the potential be same as what were we are doing with the PSU's?

Bhanu Kumar: Absolutely, in fact government scrap is much less compared to what is available in the private sector.

- Jeevan Patwa:** Okay, so how much if you can give me some ballpark?
- Bhanu Kumar:** There is no resource mapping of that, so we cannot put any numbers to it but the potential is huge but there are challenges also, the scrap market is very unorganized in private sector, they do not have any kind of mandate to sell scrap. So, things are taken away by people who are associated with them for any kind of business, it is not an organized sector in private and what comes the peak in stock.
- Jeevan Patwa:** I think that is where the opportune lies for us right, because it is unorganized most very commonly?
- Bhanu Kumar:** In fact, our biggest client as on date is Bharti Airtel group, Indus Towers, Bharti Infratel and Bharti Airtel they are our biggest clients in private sector. In fact, even Reliance and L&T they are not offering us so much as Bharti is doing. So, that is the one telecom company where I am talking about if we talk of other big companies then the potential is very huge. But then Reliance, Adani and all they are giving only a percentage of scrap to us it is not that the entire countries scrap they are selling through our portal. So, we are on the job to increase the volumes with those clients first.
- Jeevan Patwa:** Last year government also came up with the scrappage policy, so there were two types of scrappage policy one was obviously the vehicle scrappage which is yet to come. But then there was another scrappage policy, which is for industrial scrap right, so government has already notified I think the policy for industrial scrap, is it correct?
- Surinder K Gupta:** For shipping scrap government has notified a policy. Shipping basically in India the activity is concentrated in Daman, the Gujarat Port. So, there also because it is all private market where MSTC presence is not there although MSTC has tried in the past, but the people are very big players there who are already deep into the market and their entry is not that simple. But one thing on add what our Director Commercial has said, essentially, we have entered into an agreement with Daman Government, they have a PSU OI DC. So, with that as an intermediary we have started selling of the all the scraps in their industrial for all the private industries, there also we are expecting Daman some revenue apart from that revenue potential there are similar models we are exploring other states also where the organizers the PSU's which are basically coordinating with all these kinds of industrial organizations if they can on board those private organization on our MSTC portal then we will be increasing our footprint in the private sector. But as of now we cannot say much on that. Daman, we had a very good success and it has been received, appreciated at all the top levels. So, we are hoping to replicate that model in other states also.

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

Keshav Garg: Sir, our e-commerce revenue was consistently increasing in FY2016 to Rs.128 Crores and next year, Rs. 162 Crores, next year Rs.190 Crores then Rs.213 Crores, but in FY2020 first year where our e-commerce revenues declined from Rs.213 Crores in FY2019 to Rs.202 Crores and actually Madam was saying that it is actually not even Rs.202 Crores but it is Rs. 183 Crores. But in your segment results you are showing on consolidated basis Rs.202 Crores FY2020. So, basically what is the reason for this decline for the first time in past five years last year and this year as things stand today in your best estimate you think you can exceed last year's e-com revenue this year?

Bhanu Kumar: Regarding March results what I meant by Rs.183 Crores was the regular billing is Rs.183 Crores and other revenue from the e-commerce segment like we have some registration fees, some interests and all that that adds on to Rs.202 Crores. So, the basic revenue the billing for e-commerce services is Rs.183 Crores. Now, secondly the thing is you asked about why it fell from the previous year? The pandemic attack has started in fact early March. March is our main business when most of this scrap is liquidated by almost all the clients and the March revenue itself is sometimes equivalent to the entire previous quarter results. So, March was severely affected on all the sales that was supposed to be concluded in March which did not take place most of the payments were, there were defaults in that and those sales are not taken place even as on today. So, that that is about 15, 20, 25 days what we lost in March and many of the auctions could not be carried out also, otherwise I am sure we would have been closer to whatever figures we had shown the previous year. So, the pandemic problem had started in the late March itself and that is why the results were somewhat affected, in fact some of the billings also could not be done because of the complete lockdown and we had to stagger some billing. So, those things only are appearing in the first quarter otherwise first quarter there were hardly any transactions.

Keshav Garg: Madam this year can we match or exceed Rs.200 Crores in e-com revenue?

Bhanu Kumar: This year it is going to be a very challenge matching that kind of revenue because the first quarter is already gone, second quarter may be as good as last year's quarter, third and fourth quarter it depends on how the industry reacts and how far the economy picks up from where it left. So, we are hoping for the best let us see, but what we did last year is going to be a new stuff.

Keshav Garg: Sure, and Madam this government has a GeM portal to do all the procurement, so Madam are we managing that portal?

- Bhanu Kumar:** No, we are not managing the GeM portal. That is basically for the government departments and PSB's for very standard government goods and services, not for any specialized kind of procurement. So, we are not collaborating with GeM and our services under e-procurement are also quite different from what GeM is offering.
- Keshav Garg:** So, basically in the business that we are in e-com who is our competitor, for example, is the RITES our competitor or then if we are not getting some contracts then who is getting instead of us?
- Bhanu Kumar:** There is one JV Company Mjunction Services which is 50:50 JV of Steel Authority and Tata Steel. The company was formed basically for e-marketing of the steel finished products but then they are doing some of the activities that MSTC is into. So, they are probably one of our competitors otherwise all the others there are some PSUs who are rendering e-commerce services like, RailTel and ITI. But what they are doing is just taking the orders and giving it to a private player to execute, they do not have infrastructure or software or hardware as we have. So, that is why most of the government departments, PSU's they are much confident in giving work to us.
- Keshav Garg:** Lastly what would be our net debt as on date?
- Subrata Sarkar:** Debt this quarter it is only BS are getting reviewed so for that figures we must wait for December 30, where we will be giving the reviewed balance sheet. So, of course it will be on the reduced part.
- Keshav Garg:** Basically, reduced from March levels?
- Subrata Sarkar:** Yes, we are expecting if everything goes in the way that we are expecting.
- Keshav Garg:** Thank you very much. I will join the queue.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Thank you for the opportunity. Sir, can you elaborate a little more on the threat posed by the Mjunction portal because they are backed by large steel companies and their footprint is wide in terms, they have around 17 locations presence. So, can you little bit elaborate more on that Sir?
- Bhanu Kumar:** Can you repeat that question, and can you be a little louder I could not get it.

Anurag Patil: Can you elaborate a little more about the competitive threat posed by the Mjunction platform?

Bhanu Kumar: Actually, I cannot see them as competition though they have done a few assignments but the kind of credentials that we have and the expertise and in-house confidence that we have got I do not see them as very big competition.

Anurag Patil: Second question Madam steel prices have started moving upwards, in our scrap segment can you expect it to benefit us proportionately?

Bhanu Kumar: Definitely, see the steel market is picking up so scrap market will also pick up because scrap is a raw material for secondary steel sector. As and when the steel demand goes up the production in secondary steel units also goes up and scrap being the main ingredient the prices will pick up. So, it will be beneficial to us.

Anurag Patil: Okay, that is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Vishal Jajoo from Tata Investment Corporation. Please go ahead.

Vishal Jajoo: Good evening Sir. My question was at least in last financial year we saw addition of various clients to our portfolio, L&T, Adani Group, Bharti and as Madam highlighted Bharti is emerging as one of the large clients in the private segment space. But, obviously Q1 has its own set of problems with regard to COVID but of late due to these norms with regard to social distancing and other factors and online e-commerce picking up, do you see some inquiries of some traction again building up from the private sector space and any new additions that we can expect from this category?

Bhanu Kumar: Yes, the volume from the existing private sector clients is picking up and we are trying to rope in more private sector clients. We are in talks with few of them and it will be too premature to commit anything about any such agreement. But yes, the private sector is looking seriously at MSTC for their scrap disposal.

Vishal Jajoo: One of our subsidiaries has been identified by DIPAM for sale, so any further progress or development on that front?

Subrata Sarkar: It is totally done by the government of India under DIPAM as you have rightly pointed out. So, it is in their hand and whatever is coming it will come through public forum only they will have their own advertisement and etc., is now their DIPAM website, so you follow the

DIPAM website you will get day to day updates on that particular issue. It is in the public domain only.

Vishal Jajoo:

Thank you.

Moderator:

Thank you. The next question is from the line of Ankit Pande from Quant Mutual Fund. Please go ahead.

Ankit Pande:

Thanks for taking my question. My question would be you spoke a little about the receivables and the issue with trading segment and now hopefully that we mitigate over a period of time but at the end of FY2020 and FY2019 could you give me the receivables figure related to the trading segment?

Surinder K Gupta:

The trading segment FY2019 and FY2020 it has already been discussed during our last concall. So, as a company we have consciously taken decision to wind up, we are winding up our trading so the receivables are also coming down day by day and as already pointed out during our concall in this particular session, so the receivables will stay in the balance sheet at least till September 2021 on this segment then of course with a lesser volume. So, you can see volumes will be coming down gradually from the balance sheet itself that the trading segment receivables are coming down because in the e-commerce segment our receivables, it hovers around Rs. 60 Crores to Rs. 80 Crores. So, balance is in the trading segment, so if it is coming down gradually you can go with the balance sheet results are published you can see from that. So, we also expect that it will again come down and ultimately it will be wiped out from the balance sheet because we are closing the trade segment.

Ankit Pande:

And then the scrap recovery and allied jobs what could be the receivables amount, roughly in FY2020?

Subrata Sarkar:

It depends upon the performance of the steel plant because it belongs to our subsidiaries Ferro Scrap Nigam Limited and their clients are mostly steel plants so it depends upon the attrition of the steel plant because all are secured and government steel plants mostly. So, it depends upon the cash flow of the steel plants and how they are there in their cash situation. So, it is almost it does not fluctuate so much, of course during March 31 it has gone up because of the COVID situation where the disbursal was not there. So, again we hope it will keep on depending upon the cash flow position of the steel plant.

Ankit Pande:

So, there has been no write back in cash and carry in the segment in this quarter we used to have that small write back every quarter?

- Subrata Sarkar:** Write back, we did not have any write back on the cash and carry segment.
- Ankit Pande:** My second question is, if we do have a one off, you did mention about the spectrum auctions that they would not contribute in a big way. If we do have a one-off event auction this year of let us say Rs.50000 Crores of spectrum traded. Now, what is the ballpark amount if that we would garner?
- Subrata Sarkar:** Yes, you are referring to the spectrum auction?
- Ankit Pande:** Yes.
- Subrata Sarkar:** Basically, it all depends upon the government policy. When they are going host auction and all of those details who are the players, how much the price goes up, there are so if's and but's are there this sitting at we have already been selected as a service provider we are almost ready with the preparation and all these things as per the government guidelines. So, as soon as the government gives the green signal that they will start the auctions and everything, so it is a very difficult at this juncture to tell and project about the revenue seeing from that things. Nevertheless, we are eyeing this project as a flagship project to have a role model, a new type of model and have future business in this area.
- Ankit Pande:** The revenue could be just that a sort of registration fee or could it also be dependent on the amount of respective traded by us, what do you think, I mean trying to bifurcate this a bit?
- Bhanu Kumar:** It is very miniscule, for carrying out an event, we are not really going to paid very highly this is more of a prestigious project for the Government of India and we are doing it almost for free.
- Ankit Pande:** It will be Rs.1 kind of thing.
- Subrata Sarkar:** That of course is the agreement between the Government of India and a PSU. So of course, what our Director Commercial means that we are not eyeing any much profit from out of this project that we should have.
- Bhanu Kumar:** This will give us more mileage for future business. But this aspect is not a revenue earner for us.
- Ankit Pande:** Right. Thank you so much and all the very best.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Spark Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. Sir, I wanted to understand first on the e-commerce business like over the medium-term, so what sort of scalability or the revenue potential you see in the e-commerce so basically just wanted to understand the opportunity size for us in the e-commerce over the medium-term let us say in next three years to five years?

Subrata Sarkar: As we were also telling during our road shows and of course the introduction with you people during the last year and year and half, the potential is very I mean the immense potential that has but as during this introduction during this session our Director Commercial has pointed out that revenue has not been bad. It is a very unorganized sector till date also but it is going to pick up because of the government's endeavor for digital India and to all the transaction through digital means and of course the advent of GST and etc., where all the transaction has to be routed through certain particular channel and digital channel so we feel that in the medium and of course long-term also that this e-commerce business and that to with scrap so long as the industry grows the scrap will keep on growing and how they will sell, they will have to sell through digital means so of course this has got a positive potential and we look forward like that only.

Deepak Poddar: Can you quantify anything like Rs.200 Crores would you want to reach like Rs.500 Crores or Rs.1000 Crores kind of revenue?

Subrata Sarkar: Again, I go back to our Director Commercial's proposition, the resources mapping is not there and it is very difficult to say at this seating, at this point of time what will be the quantum of that but one thing we can always say that of course there will be a good amount of revenue churning out of that.

Bhanu Kumar: I will just add to that. In fact in road shows we had been saying that e-commerce revenue has grown by about almost 10% to 15% in the past and we were expecting that kind of growth since last year after the IPO but then this pandemic happened and it has put big scanner on everything, we have to start from almost zero growth for the last year and take it forward so that is the kind of trajectory that we are already on but this kind of situation was not expected so what future holds for us we cannot even predict now, this has given us a very big jolt actually otherwise we were very confident that we grow in the same pattern.

Deepak Poddar: Second question is related to your cost structure. Now, since your trading business is that you are stopping the trading business so there must be some fixed cost that would be associated solely with your trading business.

- Bhanu Kumar:** There is no segmentation of fixed cost, it is all basically our employee's remuneration and some administrative overhead so other trading business or e-commerce business exists or not, the costs are going to remain the same.
- Deepak Poddar:** So, basically in FY2020 the employee cost and other expenses or the overheads?
- Subrata Sarkar:** We keep on telling that for MSTC around Rs.100 Crores it keeps on fluctuating on that range or so. It remains constant for a scale of option in which area we are now operating. So, it will remain, if we go beyond that of course we will have advantage and we will earn profit.
- Deepak Poddar:** Okay, so even after the trading business we are not doing any trading business, our fixed cost let us say employee cost and overheads will be close to Rs.400 Crores like what we reported in FY2020 going forward?
- Surinder K Gupta:** Rs.400 Crores, where from you are getting?
- Deepak Poddar:** It is employee cost and other expenses.
- Bhanu Kumar:** No, that is Rs.100 Crores, less than Rs.100 Crores.
- Subrata Sarkar:** If you talk about the group.
- Deepak Poddar:** As a whole, consolidated basis?
- Subrata Sarkar:** I got your point. If you go by the group also the employee cost is around Rs.180 Crores and other cost if you take Rs.40 Crores, 220 Crores and all these things, so this almost is a constant factor, it is fixed on employee cost some people are retiring, some are being recruited it is almost hovering and the same pattern, if you see that except for some jump in 2017-2018 where some provision has to be made for that change in wage revision that part is also over so now it will hover around this figure only.
- Moderator:** Thank you. We will take the next question from the line of Dipen Shah, individual investor. Please go ahead.
- Dipen Shah:** Thank you for the opportunity. Just continuing with this expenditure discussion, in the current quarter what you have seen on a standalone basis is that while the e-commerce business revenues are Rs.22 Crores, the expenditure is also Rs.22 Crores but there is other unallocated expenditure of Rs.25 Crores so what according to you should be this segment like this will remain at Rs.25 Crores per quarter irrespective of either?

- Subrata Sarkar:** Again going by that, in the standalone basis we have got the overhead of around Rs.100 Crores employees cost plus other expenses, so almost it remains the same range with the scalability of operation and we hope this year it will be also on the same range it will hover around, leave apart certain abnormal something which will happen.
- Dipen Shah:** Going ahead apart from the telecom auctions we have also got the coal auctions which are probably coming up in the September to December period so in that also our revenues will be more on the commission basis or it will be once again the event based where we will get some fixed fees?
- Bhanu Kumar:** I think you are talking about coal block auctions, right?
- Dipen Shah:** Yes.
- Bhanu Kumar:** Yes, that is on event basis and on successful event basis, suppose the coals blocks there are no takers, we do not get anything. So, whether the coal block auction is successful or not that will determine the revenue stream and that is on event basis.
- Moderator:** Thank you. We will take the next question from the line of Rushabh Shah from Equirus Securities Private Limited. Please go ahead.
- Rushabh Shah:** Thank you for the opportunity. So, two short questions, I think, first is on the part of Jaivik Kheti portal what we were talking I think for the last two quarters, so how are the things going on that part?
- Bhanu Kumar:** I think in the last meeting also said that we have joined hands with India Post for the last mile connectivity. We are in the process of entangling more logistics service provider, see unless logistics is there in place, this B2C kind of a portal will never take off so we have tied up the loose end now and hopefully the transactions should take place within this year, I would not say within this quarter or next quarter, within this year we should be able to carry out transactions, next year it will be a good revenue earner for us.
- Rushabh Shah:** Just any ballpark maybe not the figure I will be asking but the opportunity maybe, would that be a very big amount or maybe that minuscule thing for us?
- Bhanu Kumar:** Revenue we are not expecting because this is basically for the organic sector and the organic consumers are little niche consumers so that is not a big volume so initially we are not targeting very high transactions here, high volume of transaction but going forward yes the focus is in that area so institutional buyers be probably roped into this.

Rushabh Shah: The last question would be I think as receivables will be starting to mature and the cash inflow would be very strong for the company, maybe about Rs.1400 Crores even which we make some sort of receivables maturing this year I think the cash balance would be much higher so are we planning how to utilize or how we will planning on that cash proceeds?

Subrata Sarkar: Basically, as of now we are concentrating on whatever debt we must reduce that thing that is our main moto. Basically if you see the balance sheet of March 31 there are certain cash balances are there, there are debtors, at the same time some trade payables are also there so we want to settle the creditors also and we want to reduce our debt also so looking forward depending upon the cash flows, of course it will depend on September 30 number so once the September 30 we have these numbers in the balance sheet so we will plan accordingly but the basic philosophy will be like to reducing the debt and creditors.

Rushabh Shah: Perfect. I think that is all from my side. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, due to time constraint we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

Subrata Sarkar: Thank you very much for our patience hearing. We hope that we will be keeping your aspirations for running the company and we will get support of all the stakeholders to come forward for a better result. That is all from our side. This is Subrata Sarkar, Director Finance and CFO.

Bhanu Kumar: Thank you so much. I am really happy to note that you have been following all the activities of the company so closely and remember each and everything that we say in our meetings so that gives us lot of confidence that you people have reposed on us and thank you for all this support. That is all from our side. Thank you.

Moderator: Thank you. On behalf of Equirus Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.