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लिमिटेड
(भारत सरकार का उपक्रम)



MSTC
LIMITED
(A Govt. Of India Enterprise)

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03rd September, 2019

MSTC/CS/SE/44

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: Revision in transcript submitted (ref : letter no. MSTC/CS/SE/42 dated 31st August, 2019)

Further to our letter no. MSTC/CS/SE/42 dated 31st August, 2019 enclosed please find revised transcript of the conference call with the investor of the company held on 14th August, 2019 for your information and necessary compliance. You are requested to kindly remove the earlier file and keep this on record.

Inconvenience is highly regretted.

Thanking you,

Yours faithfully,
For MSTC Limited

(Ajay Kumar Rai)
Company Secretary and Compliance Officer



“MSTC Limited Q1 FY2020 Earnings Conference Call”

August 14, 2019



ANALYST: MR. ABHISHEK SHINDADKAR - EQUIRUS SECURITIES PRIVATE LIMITED

MANAGEMENT: MR. BAM BAHADUR SINGH – CHAIRMAN AND MANAGING DIRECTOR – MSTC LIMITED
MS. BHANU KUMAR – DIRECTOR (COMMERCIAL) – MSTC LIMITED
MR. SUBRATA SARKAR – CHIEF FINANCIAL OFFICER & DIRECTOR FINANCE – MSTC LIMITED
MR. AJAY KUMAR RAI – COMPANY SECRETARY & COMPLIANCE OFFICER – MSTC LIMITED

Moderator: Ladies and gentlemen good day and welcome to MSTC Limited Q1 FY2020 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Shindadkar from Equirus Securities Private Limited. Thank you and over to you Sir!

Abhishek Shindadkar: Thank you Lizann and good evening to everyone on the call. On behalf of Equirus Securities, I would like to welcome you all to Q1 FY2020 earnings conference call of MSTC Limited. From the company, we have with us key senior management team including Mr. B.B. Singh, Chairman and Managing Director, Ms. Bhanu Kumar, Director Commercial, Mr. Subrata Sarkar, Chief Financial Officer and Director Finance and Ajay Kumar Rai, Company Secretary and Compliance Officer. I would like to hand over the call to the management team for their opening remarks and then we would open the call for Q&A. Thank you and over to you Sir!

Bam Bahadur Singh: Good evening everybody, this is BB Singh, CMD, MSTC Limited. We will go for the standalone financials for the FY2020 Q1.

The total value of goods transacted through MSTC ecosystem is Rs.214 billion and this is more by 12.16% as compared to the corresponding period last fiscal that is Rs.191 billion, but with regards to the performance of Q4FY2019 there has been a decline by 23.89%, this is mainly because of some of the trading business. We had some additional value of goods traded. In trading business we are going slowly rather we want to exit from this business that is why, with regard to the last quarter FY2019 Q4 we are less. Now the total revenue is Rs.399.9 Crores as compared to the Rs.544.2 Crores which is for the Q1 FY2019, and here we are less by 27.83%, the reason what I mentioned just before is the same reason for this decline.

Now e-commerce we are better off with regard to the Q1 FY2019, the Q1 FY2020 we are Rs 503 million as compared to Rs 479 million, which was done last year. So there has been modest increase of 4.88%. E-auction or e-sale there is a negative growth this quarter, Q1 FY2020 as compared to the corresponding quarter last year. E-procurement there is a significant growth we have done Rs 46.20 million as compared to Rs 2.60 million and there has been an increase of 1676.92% in e-procurement. So e-procurement there is a robust growth.

Now the revenue from the marketing, we have done Rs 349.5 Crores as against Rs 506.1 Crores, so here also there is a negative growth and since we are going slow on marketing. So that is why there is a negative growth, but this shortfall we are going to make it good in e-commerce. So we are trying our level best to make good this shortfall, which are being experience in marketing.

Coming to the profit before tax, we have done Q1 FY2020 Rs 387 million means Rs 38.7 Crores as compared to Rs 71.9 Crores, so here also it is negative, and profit after tax we have done Rs 25.1 Crores profit as compared to Rs 49.7 Crores, which was done in Q1 FY2019. So here also negative, but this is much better than that of the Q4 of FY2019. I think there is a positive trend and we hope to do better in the quarters to come.

Bhanu Kumar:

Now we will talk about the consolidated financials that is basically we have a 100% subsidiary FSNL and a JV company with Mahindra, MMRPL. So the consolidated figures are as below. Total revenue, there has been a decline by about 23% from Rs 640 Crores, it is Rs 491 Crores, that again is basically because of our standalone figures only and as we said in marketing we are voluntarily tapering down this business. So from Rs 506 Crores it has come down to 349 Crores, if you compare a quarter-to-quarter between the last year and this year.

On e-commerce the volume has gone up and scarp recovery, which is an activity that is done by our subsidiary company there the volume, has gone up and there is a growth of about 6.38%. So EBITDA totally, if you see it is negative in terms of comparison, but it is about Rs 59 Crores is the Q1 results EBITDA, and provisions is zero and we expect that it will remain so. PBT is Rs 45.35 Crores, PAT is Rs 29.07 Crores, and EPS is Rs 4.13. So cash profit is about Rs 32.92 Crores. These are the consolidated figures for the entire group.

Now regarding the key highlights that has happened in this quarter. If you see we have actually done a business of about Rs 214.53 billion in terms of value of mercantile and this is a growth of about 12.16% compared to last year, and in terms of financial performance, revenue has been Rs 491.54 Crores of Q1 of FY2020 vis-à-vis Rs 640.32 Crores FY2019 Q1, decline is about 23%. PBT is Rs 45.35 Crores in comparison to Rs 13.39 Crores that is Q4 of FY2019 and as I said there are no provisions during this period and this is what we have been emphasizing in our earlier conversations also. Regarding the business update, what we have done is we have got a huge order from the government of Odisha, where we are the nominated agency for not only carrying out all the scrap auctions and redundant items, but also e-sale of minerals we were doing earlier also, but now forest produce, land parcels, all such prime products will also be done through our portal. Apart from that the e-procurement activities also we are going to be the service provider. So whatever is not available in GEM, GEM is offering only very standard items. So all requirements of the Odisha government and its government departments and PSUs will be catering to by MSTCs portal.

The other development is the Jaivik Kheti portal which has been in the offering for quite some time, we have been talking about it, but now we have on boarded more than 85000 farmers, who have registered and this is now acting as a knowledge management portal, knowledge information sharing portal and this is likely to go up to around almost about 15 lakh farmers in another three to four years. We have also got a huge order from all the container freight stations

across the country, they will have to dispose off or sell their confiscated goods only through the MSTC e-commerce portal. These are some very recent developments, which augment very well for our business.

Subrata Sarkar:

In addition to what she has said, I would like to add. This year big ticket event for plant and machinery sale have been lined up and though they will be coming up may be in the next quarter, next to next quarter. So those are the very upcoming business opportunity in e-commerce, and in the private company also we are going at full throttle to tap that market. The private company e-commerce business was not forthcoming, but because of our increased efforts and focus on that area, we hope that in the days to come, the private company business will be coming to us.

The next is that in the e-commerce business the value of goods traded through this year business vertical has gone by 24.58% led by 331% growth in e-procurement and of course there was slight decline of 51.9% with e-sales and 72.7% in the marketing revenue, the decline of the marketing is as part of the management strategy wherein we were putting our stress in the e-commerce activity. Iron ore trading increased by 42% while there was 25.8% decline in the value of scrap traded and 64.7% decline in the coal traded.

E-commerce business growth was partially impacted by general election during the quarter. The aforementioned slowdown in the marketing revenues are result of the concerned shift in the business initiated by the management.

Now coming back to the other key financial parameters. Employee benefit expenditure, employee benefit expenditure was slightly high in the Q1 financial year 2020 increased by 12% year-to-year basis of the same quarter in the last FY2019 on account of increase in the headcount and increase in the provision for retirement benefit and in case of financial cost it reduced for the quarter led by lower borrowing on account of the degrowth in the marketing business and so far as other expenses are concerned excluding provisions they were flat, but decrease on the last quarter to quarter one, last quarter Q4 FY2019 to Q1 FY2020 because of there were some certain onetime expenses during Q4.

Bhanu Kumar:

Now, let us talk about what exactly MSTC does. We have actually emerged as the largest e-commerce B2B Company in India and a preferred service provider for almost all the Government of India initiatives and the PSUs. Now our focus is also on getting all the big-ticket private sector players for sale and their e-procurement requirement. So we are the numero uno in e-commerce as of now, we have experience of conducting more than 110000 auctions and on a daily basis we are conducting more than 300 events. We have more than 120000 buyers and sellers onboard on our portal and in the year 2018-2019, FY2019 we have conducted more than 35000 auctions.

Also now we have very recently entered into the recycling area and we were the first organized vehicle recycler in the country and for this we have a JV company with Mahindra & Mahindra, the first collection cum dismantling center is already operational in Greater Noida, the second center is also coming up in Chennai, other such centers will also be coming up shortly in the country within this year.

We are a Mini Ratna Category-I PSU under the Ministry of Steel, and basically due to the push by the Government of India for digitizing all its transactions and for ensuring transparency, we are at the forefront and the preferred service provider. We are the nominated service provider for not just the coal block auctions, but also almost all the major mineral blocks and minor mineral blocks in the country. We already have signed agreements with about 6 state governments and a couple of more are in the offing. So the mineral business mineral block as well as e-sale of minerals is also a big ticket sale that is going to happen shortly.

We have a very proven track record of giving very customized solutions to all our clients and that is what is setting us apart from other e-commerce service providers in the country and very recently we have launched a very unique EXIM portal, which is quite unique in the world as claimed by Indian Oil Corporation, where lot of features have been added, which is not available in any such portal in the country by any service provider. We also have a very dedicated portal for our agri horti transaction which is called the E-RaKAM, we are planning to expand that in a big way so that as of now we are doing only the pulses, oil seeds and certain niche products, but we would like to actually supplement the e-NAM portal of the Government of India and that is a huge opportunity that we see for our self.

Bam Bahadur Singh:

See, in addition to this, just for your kind information we are going to host e-auctions for 41 coal blocks and it will be followed by many more, but yes right now 41 blocks are up for grab by the perspective bidder and as far as the JV company performance is concerned or JV company activities are concerned, it has come in the news paper, that there will be waiver in the registration fee for the new vehicle, if somebody brings the old vehicle through the authorized cycling unit. The unit will be giving them the destruction certificate as well as the deregistration certificate, against that certificate, if the owner of the vehicle goes for purchase of the new vehicle he will get waiver in the registration fee. So this is a big push for bringing the older vehicles for a scrappage and also it will augur well for the automobile sector which is presently languishing, so this is the JV company activities and has been told to you by our Director Commercial the second plant in Chennai has already been commissioned and may be shortly it will commence production and third and fourth will be coming up in the other parts of the country namely Bangalore and Kolkata or may be Pune. So once the clear cut policy is announced by the Government of India this activity is set to go high and we are also now framing the policies for giving franchise to the interested parties who will be entering into this

collection cum dismantling centers activities, and shredding plant subsequently will follow this financial year or may be the early of the next financial.

Now e-retail software we have expertise in providing the ERP solutions to the organizations particularly the MSMEs. So this also holds a great promise for e-retail software business. So these are couple of them and then agri and horti that is already mentioned we are going in a big way in the agri and horti and also with the Jaivik Kheti portal, which has been launched by Government of India.

We are going to add some features in our e-commerce sales. The logistic also we are going add into the e-commerce those who are willing to utilize the logistic services that will be offered by us apart from the channel financing. So just to make our e-commerce services more user friendly, we are going to add these two features, which will augur very, very well for the, for our e-commerce business.

Subrata Sarkar: Then coming back to summary of financials regarding the standalone, the revenue from operation declined from Rs 5510mn to Rs 3960mn by 28% other income it was little bit increasing by Rs 32.64mn to Rs 39.57mn, total revenue is Rs 5542.66mn and in the Q1 FY2020 Rs 3999.95mn, in the purchase front it is Rs 4432mn for the last financial year, current year is Rs 3300.62mn and the employee benefit is slightly increasing at Rs 168.10mn from Rs 136.55mn, finance cost decreasing at Rs 84.66mn from Rs 171.33mn, and depreciation Rs 2.70mn to Rs 3.81mn, provisions, there is no provisions and other expenses Rs 80.83mn and current year Rs 55.58mn and accordingly the PBT is Rs 719.17mn to Rs 387.18mn and the PAT is Rs 497.47mn to Rs 251.93mn.

Bam Bahadur Singh: That is all from us and any more questions, we will be happy to reply.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

Nisarg Vakharia: My first question is that, if I look at your PBT for this quarter and if I adjust all the expenses into that PBT, am I correct in assessing that Rs 20 Crores PBT is from the e-commerce business?

Bam Bahadur Singh: Would you please be little bit louder Sir.

Nisarg Vakharia: Sir, can you hear me now.

Bam Bahadur Singh: Fine sir.

Nisarg Vakharia: My question is that if I adjust all the expenses and the income from the several businesses, is the PBT from the e-commerce business in this quarter at Rs.20 Crores?

- Bam Bahadur Singh:** If we go through the standalone one, so, see if you look at the Q1 FY2020 we have done Rs 50.3 Crores as against Rs 47.9 Crores there has been an increase of 4.88%.
- Nisarg Vakharia:** Sir I am referring to profit before tax, not topline?
- Bam Bahadur Singh:** Profit before tax, e-commerce is Rs 49 Crores.
- Nisarg Vakharia:** E-commerce is 49 Crores that is before all the expenses right, after expenses I am saying what is the PBT in e-commerce alone?
- Bam Bahadur Singh:** Yes, it is very difficult to as earlier already we have told, it is already very difficult, but you can take the overhead, overhead employee benefit and other expenses it is around Rs 20 to 22 Crores, total overhead is Rs 22-23 Crores around is the standalone list so it is to around 27 Crores.
- Nisarg Vakharia:** So 27 Crores is the PBT from the e-commerce business right?
- Bam Bahadur Singh:** Yes.
- Nisarg Vakharia:** Now my second question is that should we safely assume that the difficult time of the last two, three years that we had significant write-offs is now behind us and now we will not have any write-offs going ahead?
- Bam Bahadur Singh:** Coming forward as we are trying heavily, we are trying heavily and as you can see from our style of operation and the functioning that we are already exited out of that business and the very little amount of receivables are there, so we can almost say that difficult times are not there in the vicinity as of standing so we are not foresee anything there.
- Nisarg Vakharia:** Sir what is the balance sheet size for us as of today, total balance sheet size?
- Bam Bahadur Singh:** Balance sheet size can you please carry on let me have that thing.
- Nisarg Vakharia:** Yes, I am just trying to understand that do we have any debt on our books now today?
- Bam Bahadur Singh:** Pardon.
- Nisarg Vakharia:** Do we have any debt on our books, any liabilities long-term?
- Bam Bahadur Singh:** We have a debt.
- Nisarg Vakharia:** How much debt do we have?

- Bam Bahadur Singh:** We have around 500 Crores the debt has not much increased almost at the same, almost few hits there and there as on the March 31.
- Nisarg Vakharia:** And the debt is for the trading business right?
- Bam Bahadur Singh:** Basically for the trading sir.
- Nisarg Vakharia:** Hypothetically if the trading business was to become zero, this debt will also become zero right?
- Bam Bahadur Singh:** Yes once our trading debtor declines and it vanishes from the balance sheet the debt also vanishes, almost except that Stan Chart one that will remain?
- Nisarg Vakharia:** How much is that amount sir?
- Bam Bahadur Singh:** Rs 143 crores that is disclosed in the balance sheet.
- Nisarg Vakharia:** 143 Crores?
- Bam Bahadur Singh:** Yes.
- Nisarg Vakharia:** We have a new Chairman Sir with us, Sir we wanted to ask you as investors, like while the management team at your end is a very solid management team and we have had the pleasure of meeting them and understanding the focus of e-commerce, but as investors we have repeatedly said that if you can make the trading business zero and become a pure e-commerce business then I think investors will respect our company much more than what it is today?
- Bhanu Kumar:** Absolutely, in fact our line of activities is also directed towards that, we are tapering down the trading and almost after sometime probably it will not exist and our focus is completely on e-commerce and we have been showing almost 40% growth year-on-year in the last couple of years and 15% to 20% growth in terms of revenue from e-commerce so that is the kind of growth that we foresee for the near future also in e-commerce.
- Nisarg Vakharia:** Madam is it possible to give a timeline as to when this trading business can become zero and we can get a clean balance sheet with only Rs 143 Crores of debt?
- Bhanu Kumar:** It is very difficult to pinpoint, current year we are trying our level best to taper it down to as minimum as possible. So by the end of this year you will have a very, very clear picture.
- Bam Bahadur Singh:** Let me explain you one thing, quarter one 2018-2019 we had a mix of e-commerce 45 and the trading 55 standing on Q1 2019-2020 we have 70% of e-commerce and 30% was trading. So gradually it is being tapered down, you can see the trend.

- Nisarg Vakharia:** And this quarter the e-commerce topline Y-on-Y has been slow you have given valid reasons saying there is the government election and all that, but going ahead for the next quarter can we assume that we can grow our topline 20% Y-on-Y on the e-commerce space or is that a little ambitious?
- Bhanu Kumar:** 20% may be not immediately in the Q2, but volume wise we can assure definitely and revenue wise we are thinking about 15% should be possible by the year end, I do not know quarter wise how to translate it, but year end you can safely assume that there will be a 15% increase in the revenue from e-commerce.
- Nisarg Vakharia:** 15% increase in the revenue?
- Bhanu Kumar:** At least 15% that is again being quite pessimistic.
- Bam Bahadur Singh:** See there are reasons for this, as I have told you that we are focusing more on the private sector for all the e-commerce businesses apart from that the agri, horti also is, you can say that this is the lowest trend now this has to be increased many fold. So agri and agri now the volume is huge, so this agri horti and then the private company e-commerce this will be a promising area of opportunities for e-commerce, others are all regular, I have also told you that this year big ticket events for plant and machineries are lined up. So if those are going to happen then I think we may be little optimistic in this area.
- Nisarg Vakharia:** My last question is that we have reported a Rs 32 Crores cash profit in this quarter correct?
- Bam Bahadur Singh:** Yes.
- Nisarg Vakharia:** So that is the cash flow that we have got in this quarter?
- Bam Bahadur Singh:** Can you repeat Sir.
- Nisarg Vakharia:** I am saying that Sir what is the cash flow that we have generated in this quarter?
- Bam Bahadur Singh:** The cash flow statement, it will be on half yearly basis, but the cash profit that is, that we have given in the presentation that much of cash, there is not much Capex as you know it is not a Capex intensive industry, so you can take it as cash...
- Nisarg Vakharia:** So then Sir can we use that cash and repay that Standard Chartered debt and make that zero in this year itself 143 Crores?
- Bam Bahadur Singh:** Pardon.

- Nisarg Vakharia:** Can we use that cash flow and repay the debt that is standing on our balance sheet that Standard Chartered Bank Rs 143 Crores debt, can we make that zero this year?
- Bam Bahadur Singh:** So the Standard Chartered Bank debt it is a sub judice as a matter of prudence accounting practice we have to show it because our regulators are there. Because in the near future we do not foresee any settlement because it is a long drawn battle and we are fighting at various forums. So we are contesting, but because of our accounting compulsion we have to show it s a debt. Because otherwise regulator will not file our report.
- Subrata Sarkar:** So we do not foresee any proposition for this Standard Chartered Banking, so we do not foresee that.
- Nisarg Vakharia:** I understand. So what do we plan to do with these cash flows Sir every quarter if we are going to generate Rs 20-30 Crores then we will generate about Rs 100-120 Crores cash flow this year, what do we plan to do with the cash flow?
- Subrata Sarkar:** We will assess the situation in the H1 itself and then by that time we will decide to do on work front, because Government of India is also there and our board will also takes stock of the situation once this cash generation accumulates and so hopefully there after H1 we were able to tell about our utilization plan per se.
- Nisarg Vakharia:** Thank you so much, these answers all my questions and all the very best team to the entire team going ahead.
- Bam Bahadur Singh:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rajesh Sood from GreenSky Investment. Please go ahead.
- Rajesh Sood:** Sir the management is saying that the management is focusing more on the e-commerce, so the increase in the employee benefit expenses of around 12%, 12.5% is that with respect to the our new appointments in the e-commerce section or it is just because of the annual revision?
- Bam Bahadur Singh:** So far as annual revision is concerned that increase had already taken place, it will take another ten years and it is a normal increase little bit of increment and basically we had a big batch of new management trainee that is recruited, it is part of our induction process wherein it is a gradual induction program by which we try to replenish the retiring employees. So it is like that only, it is a regular phenomena and it has nothing to do with the pay revision.
- Bam Bahadur Singh:** You can see whereas our volume of business has gone up 11 times more, but the manpower there has been a, they have been static maybe 20, 30 has been the increase. Ten years ago there were

315 people now we have 356 whereas the volume of business has increased from 10000 Crores to 111000 Crores in nine years of time. So the induction of new person will be less as compared to the increase in the volume of business.

Rajesh Sood: No that I understood Sir. So my query is this increase in headcount with respect to your e-commerce business or in general?

Bhanu Kumar: Actually we do not have manpower segment wise, most of our officers are catering to both trading as well as e-commerce, but yes whatever induction has happened recently is basically towards e-commerce.

Bam Bahadur Singh: We have added many verticals in e-commerce so all these our regional and branch offices they are doing all these they are looking after all the businesses so those come under the ambit of e-commerce only. Trading we are tapering down so maybe in the foreseeable future there would not be much of activity in trading so it is mainly for e-commerce.

Rajesh Sood: Sir on the revenue bit out of this revenue of Rs 400 Crores that we have done total income of Rs 400 Crores; do we have a breakup of how much is from the private companies versus that from the public companies?

Bam Bahadur Singh: I think we are not ready with this figure but we have told you that we are now focusing more on the private, so private we have some 50 clients with us. So the big clients what we are going to rope in or we have roped in one of them is the Reliance Industries and the Indostar they were there with us for the last three, four years so likewise we are in talks with Adani and then Vedanta and then the high end businesses houses. So we have so far not calculated the contribution, but yes it is 90%.

Bhanu Kumar: 90% is mainly from the government sector, private is 10%.

Bam Bahadur Singh: Private is less 10%, 10% is the private, but there is ample space for the private sector for MSTC to grow.

Rajesh Sood: Sir on the new order that you have won from Government of Odisha.

Bam Bahadur Singh: Can you speak little bit louder Sir.

Rajesh Sood: Sir this is about the new order from Government of Odisha so when would we be able to see the numbers coming up with respect to this will we see this in the next quarter itself?

Bhanu Kumar: No, not immediately in the next quarter, but within this financial year because right now only the training programs and the orientation and these things have started. So for the actual transactions

to take place and then this revenue to come in probably by year end only you will be able to see some numbers.

Rajesh Sood: Thank you very much and all the best to the management.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from Equirus Securities. Please go ahead.

Abhishek Shindadkar: Congratulations to the management team for good execution. My first question is to Bhanu madam just wanted to understand what is happening on the Reliance contract that we signed last quarter can you give us an update in terms of when the revenue contribution could start in this year that would be helpful?

Bhanu Kumar: Yes actually the sales volumes have already started picking up already we have done some sale of about 25 Crores or so. So the revenue is expected in this second quarter itself and this number is definitely going to go up. When we sign the agreement we were given to understand that there will be about almost Rs 250 to 300 Crores of scrap that will be sold through this portal so this is just started so I expect that by Q3, Q4 you should be able to see some substantial revenue from Reliance Industries.

Abhishek Shindadkar: The second question is on the e-auction, e-sale, revenue breakup that we are given in the presentation now that has seen a significant decline on a year-on-year basis obviously you have highlighted elections as one of the concerns, but if you can break that into scrap and or if you look internally in those numbers, is there any material deterioration in the numbers and anything that you would like to call out?

Bhanu Kumar: As I said the general elections have been a very, very major point for this, basically because we are catering to the government departments and PSUs and especially e-sales what happens is we are seeing a lot of minerals and properties and forest produce and all and these are all with the government department. So they generally do not take any decision when election is going on due to change in government and all officers are changing and so on. So these numbers whatever has been the deficit in the first quarter will definitely be made up in the second, third quarters. Another thing that I would like to say is the comparison is not very fair if you go by Q1 2019 and Q1 2020 figures because in Q1 2019 we were not really reporting on quarterly basis so the numbers we were a little haywire some of the things were accounted in Q1 somewhere accounted in Q2 and so on. The second factor for decline especially in scrap is the steel market as such has showing a downward trend so the prices of steel as well as scrap have shown a downward trend so what happens is in the first event itself when I have some material to sell it does not get sold at all after a few attempts only I am able to sell because then I can justify that yes I am selling at a lower rate because of these reasons and this is the market discovered price,

so the government departments are very cautious when they approve something for sale so that is why there is a slackness in the figures if you compare on Q1 of 2019 and 2020.

Abhishek Shindadkar: My third question is regarding the increase in the employee cost and similar question asked by an earlier participant. Now you highlighted that there has been an increase in the number of employees as well, but so have we added people more people at the bottom-end of the pyramid or in the middle or the higher end of the pyramid?

Bhanu Kumar: We have added only in the bottom-end we have gone for recruitment of management trainees they are to be oriented trained and all so that they are ready to take up all the assignments this is almost a year long process. So since we are having lot of opportunities with the e-commerce sector and we want to go a big way we have done this induction only in the second half of last year so that is why you can see some increase in the employee cost.

Abhishek Shindadkar: What is our usual wage hike cycle, I mean, have we already given wage hikes to existing employees or it will be in the subsequent quarters.

Bhanu Kumar: Our pay scale revision takes place once in ten year so that has already been done as on January 1, 2017. So whatever little increment will happen is just an annual increment where that is 3% and some dearness allowance increase keeping in tune with the cost of price index actually. So that is very minimal. So there is not going to be any major substantial increase in the pay scale.

Abhishek Shindadkar: So wanted to understand or clarify is that the increase that we have seen in Q1 is already factoring in this increase or that is not yet factored?

Bhanu Kumar: It has already been factored into.

Subrata Sarkar: See Abhishek I want to add I am Subrata here. I wanted to add as we were discussing all the time so our salary and overhead comes around Rs 90 Crores max to max so if you take this one 16 x 4 standalone basis there is around 65 and 20 and odd is our overhead. So max to max it comes to 90 keeping say 1, 2 Crores plus and minus. So it will hover around that only, somewhere savings, somewhere increase that is the projections for the year.

Abhishek Shindadkar: Last one for you Sir from my side. So FSNL profitability has been volatile so is there any indicator in terms of or data point that we should track to understand when the profitability metrics of FSNL or is it as we see every quarter?

Bhanu Kumar: FSNL in fact has shown good results in the first quarter if you actually see, the volatility that you are talking about is I think the previous year when they have to make huge provisions towards employee expenses; otherwise they have shown some steady growth only.

- Abhishek Shindadkar:** That is helpful thank you for taking my questions.
- Moderator:** Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment. Please go ahead.
- Nisarg Vakharia:** Small query, whenever in the future after a year or whenever our business becomes a pure e-commerce business what is the depreciation that we will have in our numbers on an annual basis?
- Subrata Sarkar:** again I will request you please a little bit louder Sir.
- Nisarg Vakharia:** Can you hear me now?
- Subrata Sarkar:** Yes.
- Nisarg Vakharia:** My question as that whenever in the near future after a year our business becomes a pure e-commerce business what is the depreciation expense that we should assume annually, which is related only to the e-commerce business?
- Subrata Sarkar:** It is a very less asset sensitive business so we will not expect much more increase in the depreciation except for the increase that we will have to have some server and all, so max to max it will go on a double digit maximum that of course we will decide looking at our H1 results again how much expansion has to be required for the server and all, but still nevertheless it is the less captured expenses so depreciation will have not much impact on our profitability and whatever range we are expecting and we are telling to the people that will our expenses will be around 90 to 100 Crores fixed salary plus overhead including all these things that will hover around that for coming one year is concerned.
- Nisarg Vakharia:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question, I now hand the conference over to Mr. Abhishek Shindadkar for his closing comments.
- Abhishek Shindadkar:** Once again we thank you MSTC management for giving Equirus the opportunity to host them. Thank you and if you have any further questions, please do reach out to me or to Mr. Sarkar for clarification. Thank you and we may end the conference.
- Bam Bahadur Singh:** Thank you Mr. Abhishek.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Equirus Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.