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(भारत सरकार का उपक्रम)



MSTC
LIMITED
(A Govt. Of India Enterprise)

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MSTC/CS/SE/222

18th February, 2021

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, 12th February, 2021 at 04:00 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 Q3 FY2021 Earnings Conference Call”

February 12, 2021



ANALYST: MR. VARUN BAXI - EQUIRUS SECURITIES

MANAGEMENT: Ms. BHANU KUMAR - DIRECTOR COMMERCIAL - MSTC LIMITED
MR. SUBRATA SARKAR - DIRECTOR FINANCE - MSTC LIMITED
MR. AJAY KUMAR RAI - COMPANY SECRETARY - MSTC LIMITED

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Moderator: Ladies and gentlemen, good day, and welcome to the MSTC Limited Q3 FY2021 Earnings Conference Call hosted by Equirus Securities. Joining us on the call today from MSTC Limited are, Ms. Bhanu Kumar, Director Commercial, Mr. Subrata Sarkar, Director Finance, and Mr. Ajay Kumar Rai, Company Secretary. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Baxi from Equirus Securities. Thank you and over to you Sir!

Varun Baxi: Thank you Melissa. Good afternoon to everyone on the call. On behalf of Equirus Securities, I welcome you all to Q3 FY2021 earnings conference call of MSTC. We have with us the management of MSTC. I now hand over the call to Ms. Bhanu Kumar, Director Commercial for the opening statements. Over to you Madam!

Bhanu Kumar: Thank you, Mr. Varun. Good afternoon to all of you. Actually, today our CMD could not participate in the important conference call. He had to travel so apologies for the same and I would like to place the key highlights during Q3 of 2020 and first of all let me share the financials. During the 9 months 2020-2021, the company has crossed the revenue of Rs. 500.23 billion in terms of value of goods transacted through its marketing and e-commerce vertical, but this is around 26.86% lower than the value of goods that was traded during the same period 9 months of 2019-2020 and most of this can be attributed to COVID-19 pandemic, as you all know and as we have said in the earlier investor calls also that the first quarter was almost like wiped out, there was hardly any transaction that was done, so the second and third quarter has been a little promising, so we have still been able to catchup in the second and third quarter.

As far as financial performance consolidated is concerned, the revenue of Rs. 4692.85 million was achieved in the 9 months 2020-2021 vis-à-vis revenue Rs.10375.54 million in 9 months 2019-2020 decline of about 54.77%, which are largely driven by the 84% de-growth in the marketing business and also to a great extent because of the pandemic, e-commerce revenue slow down is because of pandemic, but for marketing as we have been telling earlier it is a conscious decision to taper down this business and because of this there is a de-growth. The PBT of Rs.759.34 million was witnessed during the 9 months vis-à-vis Rs.1464.41 million during 9 months of 2019-2020. As far as business updates are concerned during the third quarter, we are successful in conducting the coal block auctions for the Ministry of Coal nominated authority, 19 coal blocks have already been allocated and the agreements have been signed.

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MSTC also found the prestigious assignment of carrying out the spectrum auctions for the country. It is now scheduled to be held on March 1, 2021, and the technical evaluation is going on. This was a very complex portal and there were a lot of changes that were to be done and finally all this is done, and the executive certification has been obtained as on date. As we had promised earlier we are also enlarging our basket of private sector clients and towards this end on major breakthrough was the agreement with JSW steels for sale of their iron ore, so this agreement was signed during the last quarter, that is the third quarter of this year and the first auction also has been conducted very recently, which is very promising. Now, regarding the financial results, I will hand over the phone to Mr. Subrata Sarkar. He will be talking about the financials. Thank you.

Subrata Sarkar:

Good afternoon to everybody. Let us first have the standalone financials for the 9 months 2021, so we compare from 2019-2020 of the same period we have our total revenue declined from Rs. 7827.68 million to Rs. 2445.31 million. It is basically de-growth of 84.44% in the marketing segment whereas it has gone down from Rs. 6254.22 million to Rs. 973.22 million and the e-commerce from Rs. 1509.7 million to Rs. 1369.16 million and Other Income from Rs. 63.75 million it has gone a little bit higher.

EBITDA in the pre-provisioning it has also gone down by 29% from Rs.1555.42 million to Rs. 1094.33 Million. Provisions and write off is little bit higher from Rs. 89.22 million to Rs. 348.41 million it is almost 290.51% higher. With this provisioning figures PBT is down by 45.48% from Rs. 1230.91 million to Rs. 671.06 million and PAT is down by 66.34% from Rs. 791.6 million to Rs. 345.62 million and accordingly EPS is down from Rs. 11.24 per share to Rs. 4.91 per share, but our cash profit is almost not down by that much of percentage. It is Rs. 714.86 million as compared to Rs. 892.23 million, down by around 19.88% and in the segment portion of the standalone we can see that revenue from e-commerce has already told that it has gone down from Rs. 1509.71 million to Rs. 1369.13 million and major down fall is due to the e-procurement, which is down by 61% from Rs. 192.5 million to Rs. 74.10 million.

The other income of course that also down from Rs. 214.63 million to 142.65 million. The marketing revenue already discussed it is down by 84.44% from Rs. 6254.22 million to Rs. 973.22 million and expenses are also correspondingly down from Rs. 6596.77 million to Rs. 1774.25 million and PBT down by 45.48% from Rs. 1230.91 million to Rs. 671.03 million and PAT down from Rs. 791.6 million to Rs. 345.62 million and on the consolidated front, the total revenue is down from Rs. 10656.49 million to Rs. 4824.98 million down by 54.73% in which marketing already discussed Rs. 6254.22 million to Rs. 973.22 million down by 84.44%, e-commerce Rs. 1509.6 million to Rs. 1368.98 million down by 9.32% and scrap recovery and allied jobs, which is basically the revenue of 100% subsidiary company down from Rs. 2828.92 million to Rs. 2479.87 million down by 12.34%.

EBITDA pre-provisioning down from Rs. 1905.5 million to Rs. 1319.33 million with the growth of 30.76% and the provision are of course higher from Rs. 89.22 million to Rs. 360.17 million. Profit before tax is down from Rs. 1464.41 million to Rs. 759.34 million down by 48.15%. PAT down from Rs. 923.08 million to Rs. 371.33 million down by 59.77% and of course with that EPS is down by 59.8% from Rs. 13.11 per share to Rs. 5.27 per share, but the cash profit is not that much down, but it is down from Rs. 1130.66 million to Rs. 874.76 million down by 22.63%. Let us go on the detail financials, so in the standalone the revenue from operation is Rs. 2302.66 million as compared to Rs. 7613.05 million, other income down to Rs. 142.65 million as compared to Rs. 214.63 million, expenses in the operational and consumable and purchases are down from Rs. 5582.2 million to Rs. 672.33 million, infrastructure almost remaining the same from Rs. 504.66 million to Rs. 502.33 million, financial cost down from Rs. 223.88 million to Rs. 54.03 million, depreciation little bit higher from Rs. 11.41 million to Rs. 20.83 million, provision and write off they are up from Rs. 89.22 million to Rs. 348.41 million, other expenses are down from Rs. 187.73 million to Rs. 173.95 million and with that PBT before tax comes to Rs. 671.06 million as compared to Rs. 1230.91 million and PAT comes from Rs. 791.60 million to Rs. 345.62 million for the standalone part.

For the consolidated part, revenue from operation is down from Rs. 10375.50 million to Rs. 4692.85 million, other income down from Rs. 280.95 million to Rs. 132.13 million, purchases and other operation down from Rs. 5943.75 million to Rs. 965.30 million, employee benefit expenses, which is also down from Rs. 1280.29 million to Rs. 1271.93 million, finance cost Rs. 233.52 million to Rs. 56.58 million down by 79%, depreciation up from Rs. 118.36 million to Rs. 143.27 million, provisions and write-off half from Rs. 89.22 million to Rs. 360.17 million, other expenses down from Rs. 1500.94 million to Rs. 1255.93 million. With that there is a share of loss from joint venture of course loss has gone down from Rs. 26 million to Rs. 12.46 million and PBT on a consolidated basis is down from Rs. 1464.41 million to Rs. 759.34 million and PAT is down from Rs. 923.08 million to Rs. 371.33 million. With that I will hand over the mic to Ms. Bhanu Kumar, our Director Commercial.

Bhanu Kumar:

Thank you once again. From what we highlighted I probably missed out; I would just like to add little more. We also had bagged this order from Cotton Corporation of India for a sale of cotton bales, cottonseeds, etc., but again it is a very complex portal and lot of the bidders have been on boarded already. We have also sourced one decommissioned power plant on behalf of Chhattisgarh State Power Generation Company that was also a good value that we realized whatever was the expected price it was much higher than what was the expectation. Mangalore Refinery & Petrochemicals Limited, they have also awarded us the work of creating a portal for all their export and import of products similar to the Indian Oil portfolio that we had done about a couple of years back, that is still going on.

We have also had a few trenches of auctions in Shakti B III Coal Linkage 16 and these are linked for power purchase agreement, so these have also been successfully conducted. These are the Q3 specific highlights. One further point that I would like to highlight here is our joint venture company MMRPL for the first time in this quarter they have shown positive results, so that is a very encouraging sign, and we are hopeful that this trend will improve in days to come. So, that is all from the management side, so we can now take the queries. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin to question and answer session. We have the first question from the line of Raj Mathur from Victory Capital. Please go ahead.

Raj Mathur: I had two questions, the first one was if you can articulate in detail what exactly will be your plan on the scrappage JV, you know the scrappage policy is now closer than earlier and if you can detail out what exactly is the plan, how many centers you plan to setup, is there any financial projects, etc., even rough cut which you guys have made and how the scrappage business should benefit the core steel auction to scrappage auction business also, and the second question was, it was surprising to see the e-commerce revenue is flat, the steel cycle is on an upswing and one would logically presume that even scrapped steel the volumes and the pricing is higher than what it was earlier and if the volumes and the pricing was higher than earlier then logically it should have translated into a better revenue on the e-commerce portal business, so if you could explain why the numbers have not shown that kind of a trend, so these are the two questions?

Bhanu Kumar: I understand first is what is the plan of action under the scrappage policy that has been envisioned by the government?

Raj Mathur: And how big this can eventually for MSTC, can it be a massive driver for the business or is not a significant driver what do you think basically?

Bhanu Kumar: Fine and the second is basically the e-commerce volumes and the service revenue are not actually in tandem with each other is that right?

Raj Mathur: No, what I understood and may be this understanding could be wrong is that when steel as a sector is in an upswing, which it is in current we speak right now, then logically it should have translated into higher volumes of steel scrappage transacted on the portal and at the same time would have translated into higher service revenues it does not look like both have happened, so is there a direct correlation with the steel cycle upswing, which benefit MSTC directly or is there no correlation really between the steel cycle and the revenues, which we have on the portal?

Bhanu Kumar: I will come back to that, but first of all regarding the scrappage policy, I will ask Mr.

Subrata to speak regarding what will be the impact of this and what we plan.

Subrata Sarkar:

Well, thank you for your good and very prominent question that is going out hovering in the country, so the scrappage policy per the government basis has already been announced in the budget and accordingly the rules have been set and as the first mover company we have a Delhi company of Mahindra Institute Private Limited who are watching on a close level and basically the impact is yet to be found out, but we are still on our particular model this collection and dismantling model and we are doing and as already just now announced by our Director Commercial that the first time our JV has booked profit during this quarter, so we look for very much on this policy and with the rules are being framed and we think that if these rules are there and we will feel that this impact will be there and the availability of raw material may increase, so again, we have to wait for a quarter to see the effect to come into the market with the clarity in the rules and the related benefits to the people who are availing this scrappage, so a quarter is required to assess the position and how we look forward in the coming days to come, but still now the strategy is to carry with the current model and we hope that we will go ahead with this model and get proper benefit.

Raj Mathur:

And is there a significant expansion plan lined up or at this point we would just continue with the current setup in the current number of centers we have?

Subrata Sarkar:

There is a basic point is like that just now I have told you that we are watching the impact on this availability of raw material of this policy in the market, so it all depends, if at all we see that it is there obviously we will augment our facility and we will go ahead with that, but always we will have a first mover advantage because we are already there in the market and doing all these things and already with these things we have already booked a profit in this quarter.

Raj Mathur:

Understood.

Bhanu Kumar:

So, what I will add is basically we are waiting for fine tuning of this policy, the rules have to be framed, so that then only we will know what is the impact of the policy on the final people of the country who are using this because unless the numbers come in then we cannot be investing further, but the plan is definitely to increase the number of collection and dismantling centers based on the number of vehicles that come to each of the center. There will be a due diligence process that will be followed before setting up any further C&D center. Now that is as far as the first question goes. Regarding the second one as I understand basically the iron prices have firmed up, yes, I agree with you, but this has happened only in the last quarter and it is still going upswing, now in the e-commerce total volume that we are talking about this is a only a part of it, the volume of scrap that is sold or the amount of iron and steel goods that is sold in the entire volume that we are talking about is a very small percentage because more than half of this volume is coming from the e-procurement business and it does not actually limit itself only to the iron and steel product,

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so the volume and what is the condition of iron and steel sector, these are not really directly correlated, yes, it has some impact, but not to a very great extent, so what we are actually doing is we are having a plethora of product that are being transacted through our e-commerce portal, iron and steel being one part of it.

Raj Mathur: One last question, what could you think is the realistic growth potential in the e-commerce business, so it would be like single digit growth over a 3 year window, can it be higher than single digit growth in the medium term scenario for the e-commerce business?

Bhanu Kumar: We are being optimistic and because of the after effects of the pandemic are still to be assessed as of now we are not able actually forecast, we have just reeling away from the effect of the pandemic in fact all the industries are just coming out of whatever effects they have to face, so I think after this quarter we can probably have some assessment of how the next year is going to be, yes, iron and steel the sector is growing and the prices have firmed up that is translating to better revenue for the scrap that is being sold, but as far as other products are concerned I am not too sure as to whether it keeps improving or not, secondly we are increasing the basket of services and goods and even the volume of goods that is being transacted, but the numbers as far as the service revenue is concerned that is still very miniscule percentage, so I think it is too early, yes, we are optimistic that it should be double digit at least 10% growth, but I will not commit that it will happen.

Raj Mathur: Thank you.

Moderator: Thank you. We have the next question from the line of Dixit Doshi from White Stone Advisors. Please go ahead.

Dixit Doshi: Thanks for the opportunity. Madam, first question was, so in the earlier conference calls you used to mention that there are some 100 Crores of receivables in the trading business, which are kind of a cash and carry and receivables in this quarter you have provided for 30 Crores provision, so as this 30 Crores provision from that receivable or some other receivables have turned bad?

Bhanu Kumar: Fine, as far as this provision is concerned bulk of this 30 Crores is from that same model to be precise it about 22 Crores or so, the rest of it is from the e-commerce business also, which these are receivables more than 3 years old, so as per the existing provisioning policy we have provided, but all efforts are being made to realize that also, so the first question I think, I have answered your question, out of the 100 Crores to 110 Crores that we were talking about earlier in our conference call about 22 Crores is out of that only nothing new.

Dixit Doshi: So, the remaining 78 Crores have been received or it is still under the receivable?

Bhanu Kumar: It is still under receivable, it is not 78 Crores it will be to the tune of about 85 Crores to 90

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Crores, I recall that we had said a figure of 110 Crores to 120 Crores earlier, so this is close to about 85 Crores to 90 Crores is still receivable, we are fighting in various forums the NCLT processes are going on at various forums, various stages, so we are just waiting because we will be receiving only as operational creditor and the waterfall mechanism we are probably the last to get, so we are not really sure of how much we will get or how much actually we will have to provide for.

Dixit Doshi: And how much is the trade receivable from trading business now, now that we are scaling down the business?

Subrata Sarkar: Basically this trade receivables in the risky segment what we can say as Madam pointed out, it is in the tune of 85 Crores to 90 Crores that is the receivables, balance are basically secured by bank guarantees and other guarantees, so basically in the red zone it is around 85 Crores to 90 Crores that is in the red zone and that we have seen that we might have some kind of unsteady rate in the reallocation, might have and we are fighting for that in the various forums.

Bhanu Kumar: But as far as other receivables are concerned they are more or less secured, so we will be able to receive them.

Dixit Doshi: Madam, just one question on this e-commerce receivable, which has done bad, so basically if I understand correctly recently only we have started going into the private sector, so if this the 3 year old receivable, it should be from PSU or government, so why it has done bad?

Bhanu Kumar: Earlier also we were actually providing for receivables in e-commerce more than 3 years old, these are basically receivables from defence department, government department and in many cases it is question of sometimes things go in litigation, sometimes there are disputes in the set of the actual delivery of services, so these things keep going on to be on safe side we provide for all such receivables more than three years old, so it is nothing new that we have added, e-commerce also we have been providing for earlier also, so at this time it is to the tune of about 7 Crores, which is about more than three years.

Subrata Sarkar: And the litigation is not with MSTC with the government department it is typically litigation in case of delivery with the deliveries get delayed so our service charge sometime get delayed and it is more than three years of accumulation of our service charge that we have earned, so it is 700 to 800 Crores in the past some year, so basically a very, very minuscule percentage and basically because of cleaning of that levels and because of the prudent accounting practices that has provided it is a very, very minuscule percentage.

Bhanu Kumar: Following up for those also these are also receivables is not that the assets will be stopped, but just as a prudent accounting practice we are provided for this.

Dixit Doshi: Now coming to the scrappage policy so obviously you can talk more in detail once the policy is finalized, but have we done any back of the envelop calculation like how many vehicles or what kind of market size it could be annualize and what kind of revenue the JV can run this and secondly correct me if I am wrong, so in a scrappage business we will be having a two benefit that one is our JV with Mahindra that will dismantle the vehicle and whatever profit that JV will earn and second is that whatever scrap will be generated at the JV that will eventually get auctioned at the MSTC portal, so our e-commerce business will also benefit, is that understanding right?

Bhanu Kumar: Yes, to some extent it is right, but what happens in the C&D center is it is not just the scrap that is getting generated there are lot of spare parts that are being sold, so that is not through MSTCs e-commerce portal that is through an app and some software that has been developed by the JV company itself, so that in fact has received very good response and they are able to generate good revenue by selling those secondhand spare parts, now as far as the scrappage policy is concerned as we told earlier caller also, lot of things need to be fine tuned so unless these kind of incentives and disincentives come out in black and white we are really not able to assess the number of vehicles that will come in any part of the country as to how many vehicles will there, what will be the cost because of that and what will be our revenue, what will be profit out of that this kind of calculations can be done only when the numbers are somewhat can be gathered, so we are waiting for this then thereafter we have to see as to whether it actually percolates down to the lowest level and then people will have to come forward for this voluntarily scrapping their vehicle to start with as I understand from the government policy is that there will be more or less scrappage of the government vehicle so if the rules are framed properly then the government vehicles probably some numbers may come out based on which we can probably formulate some strategy, but as of now it is too early to say anything.

Dixit Doshi: Madam, just last question from my side, we have been talking about eventually closing down the trading business, which may happened sometime in the next year, so just correct me about by understanding so once the trading business is closed on a standalone operations we will have e-commerce revenue and you used to mention that the e-commerce standalone company have a fixed cost of approximately 90 to 100 Crores and revenue anything above that will come straight to the bottomline and on a consolidated level we will have SSNL JV so is that understanding right once the trading business is over?

Bhanu Kumar: Yes.

Subrata Sarkar: In the consolidated level we have got a 100% subsidiary company called Ferro Scrap Nigam Limited.

- Bhanu Kumar:** So, basically in consolidated we are taking 100% subsidiary companies results as well as the 50% share of the JV company.
- Dixit Doshi:** And after the trading business is over on a standalone we will have e-commerce revenue and 90 Crores to 100 Crores fixed cost?
- Subrata Sarkar:** It may hover around that.
- Bhanu Kumar:** As on date it is 90 Crores to 100 Crores, but there can be some scalability, as on date, yes.
- Dixit Doshi:** Thank you. That is from my side.
- Moderator:** Thank you. We have the next question from the line of Jeevan Patwa from Candy floss Advisor. Please go ahead.
- Jeevan Patwa:** Thank you, Madam. One question regarding what you said earlier so can we assume that there will no receivable or provisions on the e-commerce business because you said these provisions are 3 years old, but is it safe to assume that there will be no provision hence forth for the e-commerce business or there will be some provision in the e-commerce business?
- Bhanu Kumar:** When we do rating analysis whatever is above 3 years receivable that will be provided for, of course they are 100% secure, but as I pointed out there are a lot of litigations also keep happening and it is not in our control, so unless the processes are completed we do not get our service charges so that is why as a prudent practice we are providing, but at some point of time we expect that money also will come, so there will always be some very small miniscule amount of provision under e-commerce also, but the values will be much, much less not even to the extent of 7 Crores.
- Jeevan Patwa:** Second is we have developed plethora of products as you mentioned and I see that the company is working at three levels, one is central government level, second is state government level and third is PSU level, so on the central level we have got spectrum auction and core mining auction, on the state government we have started working with few state government like Jharkhand, Odisha, then we have some recent agreement with UP government and then the Rajasthan government and the Telangana government for sand mining, so we are basically started working with few state governments with may be a small project or one or two projects, so how do you see this opportunity on the state government level, there are almost 28 states and each state will have multiple opportunities, so how do you see these particular state level opportunity?

Bhanu Kumar:

I will just clarify for your understanding, we have been offering services to lot of state government entities also for the past many years, what you have been pointing out is the umbrella agreement that we have with the state government where all kinds of e-commerce services are brought under one single agreement, but that does not mean that we are not operating in the other states in almost all the states our e-commerce services are being availed either for scrap sale or for some kind of e-procurement or some kind of e-sale like timber and other raw material, so almost in all the 28 states some activity is going on, I will not rule out any in fact even in Lakshadweep to Andaman and Nicobar islands also we are offering our services, but we do not have any umbrella agreement with these states so some department, some utility, some government PSU they may be availing of our services, but our presence is there, what we are doing is we are trying to expand that area of operations suppose only transport corporation in the state is utilizing our services we see to it that the other government departments, the other PSUs in that state also avail our services, so that is the kind of strategy that we workout and that is why we in the last three to four years only we have expanded and we have opened many offices almost now we have 16 offices to cater to all these smaller entities in the states.

Jeevan Patwa:

Great, Madam. So, basically how do you see this apart from this scrappage part, the scrap auction and all, how do you see this particular vertical growing, so in terms of the platform that we are developing, how do you see this opportunity?

Bhanu Kumar:

In the recent past MSTC has established as a very e-commerce software developer in a very niche sector, like very customized portals we have started preparing and main thing that is coming up now especially as far as the e-procurement services is concerned is a GEM, so the government has been laying a lot of emphasis on usage of GEM portal for all the procurements not just by the central organizations, but even by the state organization, so that is one set that we are seeing in fact if you see the numbers, the e-procurement service revenue as well as volume has gone down mainly because of the emphasis in GEM, so that is the real threat that we have, but what we are planning to do is customized solution, see GEM is not a one stop solution for all kinds of goods and procure services, so wherever you need customized solutions we are there and we are trying to make our presence felt with almost all the organizations especially the government sector, so we have to now slightly we have change the strategy earlier it was a very common kind of a platform that we were preparing, but now it is going to be a niche product.

Jeevan Patwa:

Second is your Jaivik Kheti portal so how do you see those are scaling, are you getting good response from the farmers or the consumers on that?

- Bhanu Kumar:** See, Jaivik Kheti as far as the project is concerned the portal is concerned it has been developed, it is already operational, but the main challenge that we have faced especially in the agri sector not just ours in fact the entire country is logistics. See what is happening is farmers sitting in a remote village, I do not expect that he will be able to come to some particular center and dispatch the goods from there, so I need logistics to pick up the stuff from farm gate and actual deliver to the customer, portal is ready, but the logistics services, the cold chain these are not available, these are not mature enough in the country and we have been trying to open not just India post, we have had an agreement with India post, but that also not actually serving the purpose because the last mile connectivity is turning out to be a challenge, so this is a very long drawn trend of a journey and it will take quite sometime for us to show some numbers and transactions in this portal. Portal is ready, there are lakhs of farmers already registered, but the actual transaction is still to take place, it has good opportunity, it has good potential, but the lack of support system is what is actually discouraging.
- Jeevan Patwa:** Sure, Madam. So, are you thinking of roping in may be some strong partner like Mahindra or Coromandel who has got may be strong rural farmer reach?
- Bhanu Kumar:** Mahindra logistics are there in fact we have tried to rope in as many logistics service provider as possible, but the kind of services that are required they are not able to give all the entire basket of services right from picking up from the farm gate to the delivery so the entire chain nobody is able to establish, so what is happening is there are multiple levels, there are multiple gaps in the entire chain that needs to be picked before we can actually see some transactions happening.
- Jeevan Patwa:** Thanks a lot, Madam. Just one suggestion if you can just put the press release along with the result explaining the results that would be great because your tax rate is difficult to understand the tax rate and provision, so if you can just put a press release along with the result that should help.
- Bhanu Kumar:** We will deliberate on this internally.
- Jeevan Patwa:** Thanks a lot, Madam.
- Moderator:** Thank you. We have the next question from the line of Hardik Jain from White Stone Financial Advisors. Please go ahead.
- Hardik Jain:** Good evening, Madam. Most of my questions are answered, just one thing you had mentioned about JSW Steel that you have tied up with them for selling of their iron ore, so in this contract we will get a percentage fee, or it is a kind of fixed fee contract?

- Bhanu Kumar:** It is a percentage fee, as far as the volumes are concerned we have probably had the first auction only yesterday, auctions keep happening, but unless the material get lifted we do not get the service charges, so we are just keeping our fingers crossed as to the payment should be realized, the material should get delivered, thereafter we can see our service revenue coming in and to start with they have started in a very small way because everyone wants to the test the waters and they want to be comfortable with the entire system so the actual numbers will take sometime to get stabilized.
- Hardik Jain:** Out of this 60 Crores revenue from e-commerce can you bifurcate it for us how much is from e-procurement and how much is from auction?
- Bhanu Kumar:** I think it is already there in the presentation.
- Hardik Jain:** I missed it; I will check.
- Bhanu Kumar:** Out of 136 Crores e-auction and e-sale is about 117 Crores, e-procurement is about 7 Crores and there is some other income of about 12 Crores.
- Hardik Jain:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Vilin Doshi an Investor. Please go ahead.
- Vilin Doshi:** Thanks for taking my question, Madam. I have two questions, one what is the current status of our subsidiary FSNL disinvestment last I understand that the government has appointed registered valuer so what is the current status and what is timeline that you envisage by which it will get completed?
- Subrata Sarkar:** Typically that project is handled by the department of the investment and public asset management, so we do not have any further information as to what the timeline is or when it will be done, what are the things, so it has been handled by that department, so they are handling it directly.
- Vilin Doshi:** Second, what I understand from prior discussion is that after our trading business is shut down even primarily our e-commerce and JV and obviously subsidiary even gets divested it will not be part as well, so is it safe to assume that if I take current quarter revenue run rate we will have approximately 240 Crores to 250 Crores run rate in revenue and fixed cost of approximately 100 Crores so we will have profit before tax of around 150 Crores broadly it can be I am just saying based on current quarter can we safely assume it will be 150 Crores profit before tax?

Subrata Sarkar: Well the basic point is that there are a lot things to happen, we are standing in the month of February so March is just to come, last year also we were standing in the month of February when we had a conference call, we never knew that the pandemic will come and 6 months will washout, so it is very difficult to tell anything, so if everything goes well, okay fine, you see that our revenue from e-commerce that September quarter was 55 Crores, now during this quarter it is around 58 Crores, so it hovers with this current terms and condition, so how the market will behave and all, we are in the secondary things, first how the scrap prices are performing, how the other industries are performing accordingly they will sell their scrap and how the government is seeing on the capitalization of the mineral reserves so it all depends upon the things, but so far it is concerned we are on this growth path of 55 to 58 that is all available from here and so far the cost front is concerned at this scalable operation we will stand as it is and we are maintaining this level.

Vilin Doshi: Thank you a lot, Sir.

Moderator: Thank you. We have the next question from the line of B Shrinivas Reddy a Shareholder. Please go ahead.

B Shrinivas Reddy: Good afternoon to everyone. Sir, I have two questions, regarding this provisions and write back, earlier your MD was telling in earlier conference call regarding every quarter 25 Crores of write off sort of things they are planning for the next few quarter, so how many more quarters it might take for that write off?

Subrata Sarkar: Mr. Reddy, as already we had our discussion and deliberating on this earlier things also we have got around 90 Crores receivables in the cash and carry segment, which we feel that might go back, but we are trying our level best to do the thing they are on the risky account because of their vulnerability in nature and the parties is involved, certain rules are involved, so that is far our provision policy we have formulated our provision policy, which looks after all these things so how much it will take, it is very difficult, but of course this 80 Crores to 90 Crores that is standing in our book this will be the max provision in the credit segment. Otherwise balance is in our associate model and in the 110% BG model and so far as of now standing it seems it is secure by BG and certain guarantee that will not happen and affect our books, but so far this cash and carry segment is concerned of course it is a matter of concern, which are there in the past and it is happening, so this much of provisions match-to-match can happen.

B Shrinivas Reddy: Sir, in that case can we assume shareholders now in case of FSNL divestment or privatization all the proceeds the company can use to write off all the provisions or bad debts whatever it is so that they can also make the company zero debt, can we expect that happening?

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- Subrata Sarkar:** First you talked about zero debt so right now except Standard Chartered debt and a little bit of term loan from SBI, we are right now in a zero debt position except for that thing, number two, as far FSNL is concerned it is being in debt and what will happen to that the cash and how much it is sold is totally contingent thing, we never know and which amount it will sold and what will be happening to sale proceeds and all. It is the decision of the central government.
- B Shrinivas Reddy:** No, that is 100% subsidiary of MSTC know?
- Subrata Sarkar:** Yes, agreed.
- B Shrinivas Reddy:** The board and the management have complete authority to decide about proceed?
- Subrata Sarkar:** Yes, everything is agreed upon, but overall it is still in the Government of India undertaking and everything has to be decided by the government typically DIPAM takes all this type of investments and utilization of fund in case of Government company.
- B Shrinivas Reddy:** But the board and management will decide in a tax efficient way in the sense of trying to adjust?
- Bhanu Kumar:** Of course the board will deliberate, you are absolutely right, on the judicial front it is board has to take a call, but of course the board has got a government nominated director, so it is clearly defined, and it has to be the call of the government only.
- B Shrinivas Reddy:** Sir, my second question regarding this B2C business as you know I am an old shareholder pre IPO, I have been attending many AGMs, but I am almost surprised that MSTC as a company we are unable to scale the B2C where are the other competitors like Metal Junction they are scaling like 50% every year in revenues, so B2C like NPA for bank NPA and farmer things or any other B2C e-commerce business do you have any plan for scaling those business verticals?
- Bhanu Kumar:** First of all I will update you regarding the bank NPA last year I remember very well I had said that we have developed the portal for all the NPA of the banks under the Sarfaesi act that got to be auctioned it will be done through a single window system of the IBABI portal, so this already in place in last December in fact the Honorable Finance Minister inaugurated the portal first two three months there were not many transactions, but after the pandemic once things started moving we have had very good results as far as the NPA sale is concerned, lot of properties are coming on that and I am sure Metal Junction or any other service providers not in this area at all, in fact everyday if you see all the mega auctions being announced is MSTC. Regarding B2C as I said our focus was more on the organic agri

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products for which we had launched the Jaivik Kheti portal, there these are certified products and it has to pass through certain systems so that the authenticity of the product remains intact, so for that we needed all the end-to-end kind of service providers, which we are yet to get as I said there are lot of gap in between we are not able to identify one single vendor who can actually pickup stuff from the farm gate and actually deliver it to the consumer. Regarding other products I am not too sure as to what product Metal Junction is offering on B2C model, we do have our own B2C models, but that is on a very, very limited scale. We have not opened it for the general public for any kind, we are not going, we are actually competing Amazon and Flipkart for our services for e-commerce services. We are in a different sector altogether our space is very well defined, we started off as a service provider for the Government of India and of course whatever the government or the PSUs are giving to the general public there is a B2C models will definitely be enabled, but we are not shut to the idea of not having B2B, B2C kind of this thing, as I said once we rope in our logistics partners we will definitely be expanding this area.

B Shrinivas Reddy: One last request, Madam, regarding this reporting of numbers in annual report as well as numbers why do not you change from millions to Crores so that like all other company it will be easy for us to comprehend?

Bhanu Kumar: This is a suggestion we will definitely deliberate upon that because during IPO we started of with million, so we somehow continued with that, so we will deliberate and this is a good suggestion that you have given, we will definitely look into it.

B Shrinivas Reddy: Thank you everyone.

Moderator: Thank you. We have the next question from the line of Vikas Yadav from Moon Short Venture. Please go ahead.

Vikas Yadav: Madam, I want to know that how much of e-commerce revenue are annual recurring in nature?

Bhanu Kumar: Annual recurring in nature?

Vikas Yadav: Yes.

Bhanu Kumar: E-commerce revenue it is more or less, as we increase our operations the revenue will increase, but whatever clients we had in the past so many years have not left us, so it is more or less static so as we expand our operations, bring in new clients or if the volumes go up then the increase will happen, otherwise it is more or less, almost all of our clients are there for quite good number of years.

- Vikas Yadav:** So, we can assume that more than 90% recurring in nature?
- Bhanu Kumar:** Yes, definitely.
- Vikas Yadav:** Revenue can increase?
- Bhanu Kumar:** Coming from the government itself like what had happened with e-procurement model, GEM which is being promoted by the Government of India is turning out to be a threat for us so if the government comes up with some other portal where all kinds of product will go there and they promote that then tomorrow I cannot say that this is assured business, but as on date, yes as the existing policy this is more or less 90% is assured.
- Vikas Yadav:** Madam, one more question, you said that some of the scrap is there, some of the spare parts are sold by someone else, but much part of steel scrap is from our side that can be sold?
- Bhanu Kumar:** Can you repeat the question?
- Vikas Yadav:** How much of the old vehicle cost per se can be sold on our MSTC further?
- Bhanu Kumar:** You are basically talking about whatever is being collected at the collection and dismantling center of some JV company, how much of that scrap we are selling?
- Vikas Yadav:** Yes.
- Bhanu Kumar:** That is very miniscule as I said the numbers are very small, we are having as of now only three C&D centers in the country and not many people are aware of the kind of ELVs or the kind of incentives that they will get, so people are not voluntarily coming with their vehicles for scrappage unless this number increases the volume is not much.
- Vikas Yadav:** My question is that let us suppose you have 50000 scrap of cars, so how much of this scarp can be further sold on to our MSTC portal?
- Subrata Sarkar:** The JV company decides whether they want to sale through MSTC portal or not. They buy Scrap from every angle, so it is sold to MSTC, PBT is available at their factory gate, so that is there, they we will try all revenue, so it is very difficult to quantify or say that it will be sold through MSTC portal or through on the open market, so that way the quantification is not possible.
- Vikas Yadav:** Further one more question, Madam, if we have to expand our collection and dismantling centers everything can be I assume that this can be financed from interrenal accruals?

- Subrata Sarkar:** You know this expansion plans and all these things it is all just half-an-a-hour ago in this conference call we are telling it was deliberated that it all depends upon how much numbers of vehicles supply increases in the system, so it will all depend upon that thing, it is very, very contingent thing that at this moment it is very difficult, most probably if everything goes well we will be able to answer even in the next conference call see how things are going to happen and what will be the strategy coming forward.
- Vikas Yadav:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Dipen Shah an Investor. Please go ahead.
- Dipen Shah:** I had a couple of questions on this scrappage policy also, in a couple of conference calls in the last few days some of the commercial vehicle manufacturers have said that they would like to tie-up with companies, which have got scrappage facilities, so would you be one of the candidates for tying up with CV manufacturers like Ashok Leyland or a Tata Motors going ahead or is that process, which has already started for you?
- Subrata Sarkar:** All these things are going on through our JV route, but as of now so far we are exploring the possibility, so as and when it comes up and obviously we will let you people know.
- Dipen Shah:** And also the government is now looking at asset monetization, which will obviously include selling out several assets of either PSUs or may be the state government, any colour, which you can give us on how big an opportunity can this be and if at all some work has started on that?
- Bhanu Kumar:** I would like to update on this actually I was updating the highlights of only Q3, and not be talking about the current business, but as far as other monetization is concerned already Deepam has awarded this work to MSTC on nomination basis for sale of all such assets through our platform so we are the chosen ones who will actually be selling all these assets.
- Dipen Shah:** So, when has this happened, is it already happened a couple of quarters back or is it in the recent months?
- Bhanu Kumar:** No, just been received a couple of days back only and see the assets have come from Deepam, thereafter only the services will start.
- Dipen Shah:** So, these are all the assets of PSU companies, right maybe they are selling out building or land, etc., all of that will come to you?

- Bhanu Kumar:** Yes.
- Dipen Shah:** Is railways also a part of this?
- Bhanu Kumar:** Railways is not a part of this.
- Dipen Shah:** So, all the PSUs will be a part of this?
- Bhanu Kumar:** Yes.
- Dipen Shah:** And Madam, lastly can you just give us a couple of examples of how are you operating for private companies like Bharati Airtel or Reliance, which we understand are your clients for selling out their scrap?
- Bhanu Kumar:** So, it is same as PSU clients, I mean nothing different, the bidding module is the same, is the same software that takes care of everything, only thing some kind of MIS reports, certain customizations are required, but we are doing as per the requirement of the client.
- Dipen Shah:** And I think that is it from my side. Thank you very much and all the very best, Madam.
- Moderator:** Thank you. We have the next question from the line of Mayank Joshi an Investor. Please go ahead.
- Mayank Joshi:** Thank you. I think some of my questions were answered already, I would just like to may be understand that difference or the size and scale of revenue from the software development activity versus the e-commerce activity, which could be more recurring in nature or which is more based on the volume sales on the platform, so the platform business versus any development business that we do for specific clients?
- Bhanu Kumar:** See, it is not actually two different things, basically we customize the software, we develop the software, the platform ownership is with us, the data remains with us, only the output is given to the client, probably what you are referring to is the retail software where we have developed software and put it in the client end server that is a miniscule business as of now, as far as the customized portals are concerned it is in our own platform, so e-commerce platform and customized software is not two different things, in our own platform we keep customizing as per the requirement of the clients, these are separate sub domains created in the main platform.
- Mayank Joshi:** I think currently in our current report we had new contracts with the new clients, so these customized platforms even though they are developed in a customized format, the revenue

from this will still come based on the volume sales that you do, and the customization fee is just a one time charge that they would pay?

Bhanu Kumar: Yes, you have understood it right.

Mayank Joshi: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would like to hand the floor back to the management for closing comments. Please go ahead.

Bhanu Kumar: Thank you for this opportunity and the questions that we got were really very encouraging and insightful, it is really encouraging to see that so many people are interested in our activities, they keep a close watch, and they are able to recall whatever we said in the past, so that is very encouraging and definitely this kind of associationship motivate us to do better and Mr. Sarkar can probably say a few words.

Subrata Sarkar: Thank you very much all who participated in all these question session and we are really grateful to our investors who have put faith in our company. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Equirus Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.