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MSTC/CS/SE/149

08th July, 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 Wednesday, 1st July, 2020 at 12:00 P.M IST. 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 Q4 & FY2020 Earnings Conference Call"

July 01, 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

MR. AJAY KUMAR RAI - COMPANY SECRETARY &

COMPLIANCE OFFICER - MSTC LIMITED



Moderator:

Ladies and gentlemen, good day, and welcome to the MSTC Limited Q4 and FY2020 Earnings Conference Call, hosted by Equirus Securities. 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. Thank you and over to you Sir!

Rushabh Shah:

Thank you and good afternoon to everyone on the call. On behalf of Equirus Securities, I would like to welcome you all to the 4Q FY2020 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 MD; Ms. Bhanu Kumar, Director (Commercial); Mr. Subrata Sarkar, our CFO and Director (Finance); and Mr. 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 can open the call for the Q&A. Thank you and over to you Sir!

Surinder K Gupta:

Good morning everybody. I am S.K. Gupta, Chief Managing Director and CEO of the company. With me are our Director (Finance), Mr. Subrata Sarkar; our Director (Commercial) Madam Bhanu Kumar; and Company Secretary, Ajay Rai.

As you know, we had our Board meeting day before yesterday where the annual audited results were passed. We all know that due to COVID, which has affected somewhat almost to a large extent, but last quarter there was some marginal affect on the MSTC also like the whole economy in our country although the lockdown was in the March end, but the problems have started around a month before that. Apart from that, MSTC is having major revenues from scrap, so there was some downtrend in the scrap rate. Those were few negatives, but then there are very good things also which has happened in e-commerce business of MSTC. One very flagship project for Government of India, Department of Telecom that is auction for spectrum for 4G, 5G waves, MSTC has been first time selected as preferred bidder for Department of Telecom who will be providing the portal services to DoT and it is expected that around September, October as the government gives us goahead this option can be scheduled the portal is getting ready.

A week back around this commercial coal mining portal was inaugurated by Honourable Coal Minister, Shri Pralhad JoshiJi. Commercial coal mining is a very big ticket project for Government of India and even our Honourable PM has taken a big stride for this not only the commercial coal mining it is for the other minerals also, which also progressively will



come to us. Right now around 41 coal mines have been given, which have been already put on our side and the process is on.

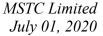
Another development is that we have already informed our investors that MSTC has an integrated portal with IBAPI for sale of their stressed assets of all PSU banks so that portal is now fully functional. We hope that this situation stabilize in medium term so that we are able to sell the properties of PSU banks that have been put on our portal, which will give good value to the banks also as well as earn some revenues for MSTC.

Jaivik Kheti portal is also live now, but there was one handicap in that, we did not have an arrangement of logistics, so now we have tied up with India Post, we have signed an agreement with them for Logistics Service. Technical integration is already complete and PoC is underway. Once we test, dispatch and receipt of few consignments we will be progressively opening the portal initially for 40 post offices in Madhya Pradesh then progressively all over the country. Regarding our financial performance and other highlights, I will request our Director (Finance), Mr. Subrata Sarkar to apprise you the details.

Subrata Sarkar:

Good morning to everybody. Basically this year our growth and the operation was concentrated on the e-commerce business and as promised and as already on the past and as a matter of policy we are now gradually opting out of this trading segment. So during this financial year so far volumes are concerned we have crossed Rs.1273.91 billion in terms of value of goods transacted through our marketing and e-commerce vertical, which is almost 15% growth over year-to-year last year. Revenue wise in a consolidated position as a group wise the revenue comes to Rs.12313.99 million vis-à-vis Rs.32919.97 million in FY2019. Decline is due to degrowth in the marketing business and as compared to loss in the FY2019 of Rs.237 Crores we have made a profit of PBT of Rs.166 Crores for the group for this particular financial year, so of course we are on the positive side this year.

Now I am switching over to standalone financial highlights. So here also that last year EBITDA was Rs.331 Crores this year EBITDA is Rs.230 Crores, of course this is a little bit lower, but it is of mainly driven by the e-commerce business. PBT comes to Rs.129.49 Crores as compared to loss of Rs.269.21 Crores last year and PAT comes to Rs.75.20 Crores as compared to loss of Rs.322.47 Crores from last year and earnings per share is Rs.10.68 Crores. The Board of Directors has also declared a dividend of 33% on the equity that is Rs.3.30 equity share and going back to another balance sheet part, we are having this noncurrent asset of Rs.262 Crores and current asset of Rs.173 Crores this is of course on the consolidated part as compared to consolidated equity of Rs.473.93 Crores as compared to last year of Rs.387.90 Crores is a growth in the net worth and of course the current liability





stands at Rs.1633.88 million as compared to Rs.23591.16 million last year. So that is all typically summarized position from our side. I hand it over to you for our Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

Keshav Garg:

Sir I wanted to understand that although our bad debts have fallen drastically year-on-year, but still their significant part of our EBITDA, so what are we doing to prevent such write-offs in future, we should be having some system wherein these issues are taken care of?

Surinder K Gupta:

Thank you and this year if you can see that this year-to-year wise position it is Rs.76 Crores of provisions and write-offs, but out of this Rs.37.39 Crores have got no bearing on the financial of the company because it is a write-off against the provision. So balance of course Rs.38 Crores is the provision in the group and so far MSTC is concerned it is around Rs.33 Crores. As we have told earlier also it is basically related to our trading business and as you told just now suggested from Q3 we have now a provisioning policy in force on the basis of that we are taking care of this provisioning and wherever we find there is some sort of difficulty in realization, of course this is related to only trading business nothing to do with, in the trading segment also in the cash and carry segment where receivables it is now left around Rs.120 Crores odd only. So that is only the vulnerable section where the provisioning if any is required in the coming days also as per the provisioning policy and this quarter it has become a little bit higher because there was a little bit of visibility in the payment in the month of March because of some industrial slowdown and also because of this COVID phenomena. So we are now with this provisioning policy where staggered way will be done and only we are left with around Rs.120 Crores of that typical type of debt, of which max to max that provision has to be made for that particular debt.

Keshav Garg:

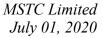
Basically can investors be assured that in future we would not be looking at some negative surprise like last year over Rs.500 Crores of bad debt that kind of thing is behind us now permanently?

Surinder K Gupta:

This is basically as I again told you again I repeat. We have got a very risky segment called cash and carry segment, so where only Rs.118 Crores are left around approximately so that is the only vulnerable section that we have, so it is that section only that we can and sitting on as on date March 31, 2020 we can tell you Sir and that business has been stopped from April 1, 2020 not a single business has been done on that account.

Bhanu Kumar:

I will just add to whatever he has already said. This cash and carry business where such large provisioning was done in the past that is behind us, so we are pursuing only e-





commerce and a very little portion of the trading business is under the BG back team and the associate supplier that also we have tapered off this year and probably from August onwards there will be no business in that segment also, so this trading segment going forward will be nil and the risk is also nil.

Keshav Garg: Madam basically our segment results, the marketing segment, which we did around Rs.646

Crores of turnover last financial year you are saying that we, are going to stop it from

August onwards?

Bhanu Kumar: Absolutely. Yes, from August onwards it will be 0.

Keshav Garg: Okay, Madam that is very encouraging because if you see our e-commerce segment it is

Rs.202 Crores of sales we are doing Rs.199 Crores of profit so had the company being only in this single business and nothing else, our market value of the company would be 5 to 10

times because the company would be start valued as the e-commerce company?

Bhanu Kumar: I assure you from August onwards that is the only area of business that the company is

pursuing; the trading segment is going to be 0.

Keshav Garg: Okay Madam that is great to hear and also there is a segment scrap recovery and allied jobs

in which we did approximately Rs.410 Crores of turnover and Rs.46 Crores of profit so

what is this segment exactly?

Bhanu Kumar: That is actually the activity of our subsidiary company who are basically giving this kind of

a job service to the integrated steel plants mainly the government sector the Steel Authority of India, so they are doing pretty well. There is a 10% year-on-year growth in this and so far it has happened quite well and the results are also very encouraging for this subsidiary company. That is an activity that is solely done by the subsidiary company not by the

MSTC.

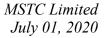
Keshav Garg: Sure Madam and this scrap recovery is over there, there is no issue of bad debt?

Subrata Sarkar: No. There is no issue of bad debt in that company as well.

Bhanu Kumar: No, not at all. It is actually a service where the steel content is recovered from the slag and

other waste products, byproducts then steel-making process is on so that is a recovery and it is given back to the steel plant and they earn a service charge on it, so there is absolutely no

risk in that segment also.





Moderator: Thank you. The next question is from the line of Om Agarwal from Balaji Investments.

Please go ahead.

Om Agarwal: Madam there was news earlier that Ferro Scrap Nigam Limited will be sold?

Subrata Sarkar: Yes that is right. DIPAM has selected this company for disinvestment. So now DIPAM will

be floating the UI on their website, so that is a decision of Government of India for this

investment.

Om Agarwal: What is the contribution of profit through this main company?

Subrata Sarkar: Actually year-to-year around Rs.30 Crores contributes to the growth, so basically that is

independent subsidiary and always it is a profit-making subsidiary so Rs.30 Crores is profit

to the group.

Subrata Sarkar: It gives us around a dividend of Rs.9 Crores, Rs.10 Crores around the year.

Om Agarwal: When you divest it then there will be a reduction in your consolidated profit is not it to that

extent?

Subrata Sarkar: To that extent it will be done, but because the dividend is not a significant amount and also

after that there is a tax, so it will not affect our profit to that extent.

Om Agarwal: But how much the enterprise value can be realized from that sale approximately?

Subrata Sarkar: It is very difficult to say at this juncture.

Om Agarwal: Then there is a spectrum auction for which you will be doing for Government of Telecom

Department so there is some commission over the sale value or what is like?

Subrata Sarkar: It is not sort of commissioning it is basically event wise charges, the type or number of

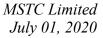
auctions will be charging, it is not basically percentage of revenue that those will be earning and then second thing it is a three-year contract, so as we do not see that the market is right for sale of the spectrum they will give us that spectrum for auction, we will be doing the

auction and we will be getting accordingly.

Om Agarwal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment

Managers. Please go ahead.





Nisarg Vakharia:

Firstly I wanted to congratulate the entire management team in coming a long way from the IPO and fulfilling your commitment towards reducing your trading business and focusing only on the e-commerce business I think we have done a great job at that. I had two, three questions, Madam and Gentlemen. The first question is that there is this contingent liability that Standard Chartered Bank has put on was of some Rs.200 odd Crores is there any view on this, has the case progressed, do we have to pay them that money, and can you give us some clarity on this?

Subrata Sarkar: Yes. You are talking about Standard Chartered Bank is it?

Nisarg Vakharia: Yes.

Subrata Sarkar: Yes. In this regard it is again what we have told in the last concall also and we are keep on

telling it is still subjudice, it is under various courts, it is under subjudice and the battle is still on, the legal battle is going on, but so far our P&L is concerned it will not get any hit

because it is already there in the P&L, we have provided in the PL with subject to that...

Nisarg Vakharia: But you will have to pay cash flow, it will be a cash flow impact right?

Subrata Sarkar: Basically but we do not see this in the near future because that battle is still going on and

that already it is under subjudice and until and unless judgment favoring Standard Chartered comes the cash flow will not come back and we are hopeful that we will fight it out this

case.

Subrata Sarkar: We will be taking all legal course actions whatever is possible suggested by our solicitors.

Nisarg Vakharia: Second question was to Bhanu Madam. Madam can you tell us what is the approximate

disruption that we see, whatever COVID disruption will happen will happen for the first two quarters of the next financial year so can you tell us what is the impact that we may see

in the first two quarters indicatively on the e-commerce side?

Bhanu Kumar: Actually you can see from the results about 45% of our revenue comes from scrap sales that

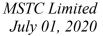
has been impacted to a very great extent, but apart from that the minerals, iron ore, coal, these options we were continuing, of course the number of events were less than what it

was normally. We cannot quantify at this stage as to what will be the impact because scrap is never the basic business for any organization, so if at all it is affected in the first quarter

maybe we will be able to sell in the second or third quarter. Now second thing that we need

to see if you compare the results of 2018-2019 and 2019-2020 even before the COVID came in the steel market was really on downside, the scrap sale was down by almost

Rs.1000 Crores last year in 2019-2020 results, so we are not able to assess at this point of





time as to how the steel segment will react post COVID. We are keeping a wait and watch attitude as far as scrap business is concerned. E-sale, e-commerce, e-procurement, and these activities will continue we do not see much of an impact in that area.

Nisarg Vakharia:

Last question I had, I will break it into two parts. The first question is that we are constantly keep hearing and seeing news articles of some large venture capital fund was invested in some digital platform to do the business that we are doing. Firstly I wanted to ask you that is there any company on the horizon that we see can rise as a potential competition because of the infinite money that they keep getting from the large venture capital funds, secondly how technologically competent are we in terms of do we have an app for our users, and last question was that this dividend, which we have declared Rs.3 is a great news to investors, but now since we would not have any trading business and no loss, practically 100% of ecommerce business profit is cash flow so can we see that dividend increasing further in the next year?

Bhanu Kumar:

First of all I think during the IPO also and thereafter in every interaction we have been saying that MSTC's e-commerce business is quite different from what is there in the market. So this is a niche area where we are catering to more of minerals, coal, coal blocks and we are more of a service provider to the Government of India for all their flagship projects and the kind of competence and credibility that we have in the market is unparalleled and at least as on date I do not see much competition in this area, but yes regarding the small-time players as far as scrap or any such small, small item sale is concerned there can be competition. In the near future we are not foreseeing any major competition in that area. Regarding our technology upgradation yes we are competent to handle the kind of complex projects that are coming our way and we have been doing it for the past more than 10 years and it has been a long journey and so far we have been very consistent with our track record and that is why we are getting all these flagship projects in our kitty. So I do not see much of a threat or competition in the area of our operations, but yes we are keeping our eyes and ears open and we are open to competition, those risks are always there in this sector.

Subrata Sarkar:

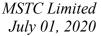
Apart from that I will just add one thing. There are many fronts of discussions are going on so as soon as we reach some kind of finality in those agreements we will be always informing as per the processes, whatever new major agreements we are signing so many of them are under discussions there.

Nisarg Vakharia:

Regarding the dividend?

Subrata Sarkar:

Dividend is like that it is very difficult to tell at this juncture, but you can compare that last year there was a loss after IPO year we could not pay any dividend to our investors who





have invested in our share capital, but this year it was there, so if at all there is a profit, of course as the Government of India undertaking there is a policy to pay dividend and of course we will keep on paying dividend with the policy of Government of India, whatever policy they formulate and of course the basic criteria will be the profit and we hope that trends are there and with the growth in the e-commerce, of course there is a profit and the Government of India has a policy like that, we will keep on paying the dividend.

Nisarg Vakharia:

Sir, I have a small suggestion to this point. I would recommend that we have paid some Rs.20 Crores of dividend this year and obviously our cash flow is much higher, now a lot of the government companies have a fixed dividend payout policy so I would urge the management in the next Board meeting to take up this issue and formulate a dividend policy.

Subrata Sarkar:

The government already has a policy. Let me clarify, the company reiterates the government's dividend policy that is 5% of the net worth or 30% of the PAT, whichever is higher, so we have the reiterated the government policy. The government policy is there and we are just following that government policy through our company.

Nisarg Vakharia:

Okay. I understood. Thank you so much Sir and Madam for answering my questions and all the very best for the future.

Moderator:

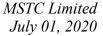
Thank you. The next question is from the line of Jeevan Patwa from Candyfloss Advisors. Please go ahead.

Jeevan Patwa:

Sir last month government has actually done a lot of reforms on the agri sector, which is actually positive for our e-RAKAM segment, just wanted to have your view on the e-RAKAM, how is going to accelerate our e-RAKAM segment because there was e-NAM earlier, but that was more from APMC point of view, but with e-RAKAM and whatever government has declared last month I think there will be more use of e-RAKAM because the person can now sell from anywhere to anywhere so just wanted to have your view how it is going to accelerate our e-RAKAM?

Bhanu Kumar:

I think we have informed in the past also and in the opening remarks of our CMD that right now in the agri sector we are enlarging our scope of services in the Jaivik Kheti portal, which is basically for the organic produce in the country. Now the major handicap that we were facing in the e-RAKAM portal, the agri sector is the logistics so we are already in the process of empanelling more logistic service providers so that we are able to cater to all the requirements not just the B2B kind of business but B2C also. So towards that end we have already signed an agreement with India Post for Jaivik Kheti and going forward we will be looking at their services for our other material although not just the Jaivik product and we





will be empanelling more logistics service providers and other aggregators and facilitators. So this is one area that is very much required when we are dealing with agro goods and we are focusing in that area and very soon I think we will be having a very comprehensive kind of service process.

Jeevan Patwa:

Great Sir and one more thing is in six to nine months we had a lot of agreements with Odisha government or Chhattisgarh government, but then after we did not hear anything from MSTC about any other governments, so are we still working with any state governments for something similar to what we did with Odisha government or Chhattisgarh government?

Bhanu Kumar:

Actually Odisha government and Chhattisgarh government we went in for an umbrella kind of agreement, but in other states the main scrap business is mainly out of the electricity board, the power utilities as well as transport sector and in most of the states MSTC is already having such agreements, we are not going in for an umbrella agreement in other states because most of the scrap in any case is coming to us it is not required at all and wherever we are having individual agreement the service charge percentage is much higher than our umbrella agreement, so to a cost benefit analysis this is better, so we are not going to change that status at least wherever we already have business.

Subrata Sarkar:

Apart from that we have done agreements with many state governments mine or mineral sale.

Jeevan Patwa:

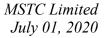
Sure. Thanks a lot Sir.

Moderator:

Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda:

Sir just one observation and understanding I wanted, so we have reduced our marketing business from Rs.2800 Crores to Rs.650 Crores this year, but when I look at the receivables number it has come down from Rs.1870 Crores to Rs.1462 Crores, so one when you say that by August the marketing business will become 0, just wanted to understand that when does the trade receivable in the balance sheet comes down because that will help you pay off your debt and to one of the provisions comment you mentioned that we see last Rs.122 Crores of another write-off that we have to take based on whatever method of business that we were doing, so is it safe to assume that whatever debt that we see in the balance sheet and whatever receivables that we have, so we have receivables of Rs.1462 Crores, we have debt of about Rs.900 plus Crores, to the extent of that Rs.122 Crores the debt is repayable, if you could give this math and by what time and first of all why has it not come down when your revenues have come down so significantly?





Subrata Sarkar:

Let me answer you one-by-one. Out of these whatever receivables that we are looking at like books it is only the cash and carry mode is around what I have again told it is around Rs.120 odd Crores, so this is the only segment where we feel that it is a sticky one number one. Number two apart from that in the trading segment also we have got two other segments, which are more secured that is one backed by 110% BG. So as on March 31, 2020 around Rs.540 Crores of receivables is standing out of that 110% BG and some are around Rs.500 Crores is from another model that is we call associate model in which we supply some items to some public sector and all which are also 100% secured that is by commitment, so ultimately if you weigh down out of this Rs.1400 Crores around less than 10% is around in a sticky sector and with reduction in the business does not mean receivables will come down. So it will take around at least six months and more and in the associates segment also that is continuing and with the supplies going down and by next September we hope that at least the size of that trade receivables will come down.

Pritesh Chheda:

These BGs are what tenure BGs, so these are what 1 year credit on which the business is

done?

Subrata Sarkar:

It varies. Somewhere it is six months, somewhere it is one year, sometimes a little bit because of this COVID some extension has to be given because of two or three months extension is there, so these are some issues, vary depending upon the customer profile, but nevertheless it is backed by BG 110%, if it is Rs.100 Crores debt it is to be backed by Rs.110.

Pritesh Chheda:

So I will just clarify by September 2021 is where we do see the receivable, a large part of the receivable goes away?

Subrata Sarkar:

Pritesh Chheda: Obviously a large part of the entire debt goes away?

Subrata Sarkar: Yes.

Pritesh Chheda: On the receivables breakup you said Rs.120 Crores is cash and carry, which is maybe

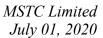
doubtful, certain amount of receivable is on 110% BG what is that number Sir Rs.500

Crores?

Yes.

Subrata Sarkar: Around Rs.550 Crores.

Pritesh Chheda: The residual receivable is 100%.





Subrata Sarkar: In the associate segment also is around Rs.500 plus Crores and balance in the e-commerce

segment.

Pritesh Chheda: That is 100% BG right the associate?

Subrata Sarkar: Associate is backed by supplier guarantee, until and unless we get some amount from this

principal we will not pay to our suppliers that is a commitment with our suppliers, it is the

agreement so that is also safe and sound.

Pritesh Chheda: Understood. One last question I have on the e-commerce side. Madam gave some

assessment on the post-COVID impact on the business so this e-auction is the place where there would be some impact because she said that e-sale, e-procurement is continuing as normal so just wanted to know scrap sales in the e-auction is how much as a percentage of

total sales Madam?

Bhanu Kumar: I think I said 45% of our revenue is coming from scrap sale so I do not know what will be

the impact, how much that segment will be impacted.

Pritesh Chheda: But this is postponed or it is canceled?

Subrata Sarkar: I will supplement to what Madam is saying. If it is a 45% of e-commerce and you see scrap

is such a material it will have the industrial activities go on, it will get on generated, but it will not be solved, so ultimately if it is not coming in this quarter and the activity of the plant is going on will be getting in next quarter, as the situation stabilizes the people are able to freely move to inspect the material, to buy the material and transport the material, so that in any case is a sort of fixed deposit kind of thing that will eventually come to us, if not today then it will come to us tomorrow. Another angle to this is the rate of scrap because we get the percentage of the sales value in that, so if the market rate of the scrap or of the steel sector is less then of course we will be getting less revenue. If the steel rates are higher we will get better revenue. We expect with the government restrictions on China and all that the steel rates should strengthen in medium term, but nothing can be set off definitely as of

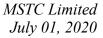
now.

Pritesh Chheda: Why is it that the e-auction, e-sale revenue is down 12%, but the total value of goods is up

14.5% so where is this disconnect or the drop coming from?

Subrata Sarkar: You are talking about the volumes going up but the income going down is not it?

Pritesh Chheda: Yes.





Subrata Sarkar:

It is a very difficult thing as the volume comprises of lot of segments, suppose if e-procurement segment is there and this scrap selling segment is there and e-sale segment is there. As our Director (Commercial) Madam told that with e-commerce, scrap auction is very remunerative for us and comprise of the product mix, so in this year the scrap e-auction is a little bit less that is why the volume has gone up, but our service charge income or fee income from this e-commerce segment has gone down nothing less because the product is such. Had it been the reverse side this scrap sale would have been higher, so you could have earn a better margin.

Pritesh Chheda: Understood Sir. Thank you and all the best. Thank you very much.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investment.

Please go ahead.

Hiten Boricha: Just want a small clarification. You mentioned that marketing business will be nil by

August am I correct?

Bhanu Kumar: Yes.

Hiten Boricha: My second question is on the 5G spectrum side what kind of revenue and margin we are

expecting from this business and the capex for FY2021?

Bhanu Kumar: Can you repeat the question?

Hiten Boricha: My second question is what kind of margin and revenue we are expecting from this 5G

spectrum?

Bhanu Kumar: Spectrum?

Hiten Boricha: Yes 5G auction.

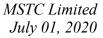
Bhanu Kumar: I think as our CMD has said we are going to earn a service charge on the event, every time

we host an event we are going to earn something which is not very significant it has got no link to the actual value of the spectrum that is sold, so the revenue is not very significant, this will give us more mileage for our future business, but revenue is not very significant.

Hiten Boricha: Any thought on margin side, Madam?

Subrata Sarkar: Basically in the e-commerce segment I will keep on telling in the investor meet right from

the day one that we have got a fixed cost, fixed overhead, fixed salaries, so it is not like that it is a contribution from particular project, so we have got a manpower, we have got a





system, we have everything it is a fund cost for us, so whatever we earn it is over and above it becomes our margin, so it is like that we have to think from that particular aspect. If you can see our P&L part so you can see that it has a fixed overhead cost, salary and other overhead that is a fixed one, so up to certain scalable levels we do not have to incur cost over and above that except some kind of this traveling and calling it with this and other so that is very useful.

Hiten Boricha: Understood. That was helpful Sir. What is our capex we will be incurring in FY2021 any

capex spend?

Subrata Sarkar: I think we do not have any major capex this year coming 2021 major capex we do not have

because we have already upgraded our server, so it is not in a larger way as of now sitting in

a COVID scenario.

Hiten Boricha: That was helpful. Thank you Sir.

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. So my first question is this Rs.182 Crores employee cost

how do you see panning out over the next three to five years?

Subrata Sarkar: So it is a group purchase, so far MSTC is concerned on standalone basis it is Rs.71 Crores.

So just now I was answering a call to another fellow colleague it keeps on hovering. Our overhead keeps on hovering around Rs.100 Crores, the salary and the other expenses, so it will keep on like that with certain increase of 3% to 4% of course because of this salary

hike and others.

Anurag Patil: My second question is a pretty basic one. So all these contracts which are awarded to you

from the Government of India what is the criteria to awarding this contract for this nomination basis or how these are done and how is the revenue sharing agreement is

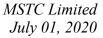
decided?

Bhanu Kumar: It is actually a mix. In case of spectrum auction we had to participate along with other

private players and we got it through a bidding process, but there are certain projects that we get on nomination basis also from the Government of India for that actually the past experience and what work we have already done, the body of work that we have done that

actually helps us in getting those business it is not that that Government of India simply

calls us and gives us we have to prove our potentials before backing any order.





Anurag Patil: So for this nomination order is there any cap on your profits or revenue percentage?

Bhanu Kumar: No, it depends on the scope of work this is actually mutually agreed upon, it depends on the

scope of work, what are all the resources that we need to deploy, what is the timeframe, all those factors are considered and then we give our quote and it is negotiated and finalized.

Anurag Patil: Okay Madam. Thank you very much. That is all from my side.

Moderator: Thank you. The next question is from the line of B. Srinivas Reddy, Shareholder. Please go

ahead.

B. Srinivas Reddy: Good afternoon the management. I need a clarification regarding the subsidiary with

Mahindra for the new scrappage policy government is about to announce so what will that contribute to the balance sheet of MSTC you have started the work for that scrap subsidiary

along with Mahindra & Mahindra you have planned one earlier?

Subrata Sarkar: That is right. You see still the policy comes out and we see the content of the policy, we

cannot make a definite comment on that, notwithstanding that, we have two plants as of now operational today one is in Greater Noida and second is Chennai. The Chennai plant is a very small plant, but there we are having very good response and we have sufficient supply of the vehicles there unlike in Greater Noida plant where we are not getting the sufficient quality of end of light vehicles, so if the government policy is favorable then we are ready to quickly set up more plants across the country. It has just begun and there is a lot of future I will say growth, which is possible in this sector. The potential is good, but the

government policy will significantly affect it.

B. Srinivas Reddy: Sir what is the margins you are expecting from that business?

Subrata Sarkar: Actually as our CMD Sir has pointed out this FY2020-2021 we will be able to basically

quantify which type of margin is coming at and what is going out, still it is running not at that particular optimum level, so until and unless that comes up we are looking and observing the Chennai operation also and Noida operations also, so I hope when we meet in

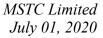
September or October we will be able to throw more light on this particular question.

B. Srinivas Reddy: Regarding these provisions and earlier bad debts you are sure that it would not be more than

that Rs.120 Crores?

Subrata Sarkar: The surety is a very, very weak word, but as of now what is our financial assumption, what

we see because other debts are backed by certain securities and commitments and these debts are as going by the past history of these debts these are vulnerable for getting bad so





with that particular calculation and that particular study we can say that this Rs.120 Crores are in a most vulnerable segment and we might have to make the provision against this because this realization is very slow, but so far other debtors are concerned BG back it is of course highly secured instrument that can be available in the market and of course backed by the commitment of the creditor, of course this is also because we are not out of cash on that particular portion and the e-commerce of course going by the trend that debt percent is very, very, very low, not even in the single-digit also, so it is like that with this calculation we can again tell that it is still in the vulnerable sector and with that provisioning policy in force we will be able to settle this in a very scientific manner.

B. Srinivas Reddy: Thank you Sir.

Moderator: Thank you. The next question is from the line of Saurabh Ginodia from SMIFS. Please go

ahead.

Saurabh Ginodia: Thank you for the opportunity. Sir I had a question on the fixed cost associated with the e-

commerce business, is it possible for you to segregate the fixed cost for the e-commerce on

an annual basis?

Subrata Sarkar: Can you repeat Sir?

Saurabh Ginodia: I just wanted to get some understanding regarding the fixed cost associated with the e-

commerce business?

Subrata Sarkar: As I was answering to the call of your fellow investor before I was speaking to you so

basically I will keep on telling it is around Rs.100 Crores salary and overhead taken together with certain scalable operation up to that point of time, which is the fixed cost that we have right now at this moment, so this is the only thing that we have and with this particular investment cost we can go up to certain scalable operations and we do not have to

incur any further cost on this.

Saurabh Ginodia: My second question is, is it possible for you to broadly share the breakup of the e-

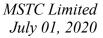
commerce business between PSU and private clients?

Subrata Sarkar: Yes. We are not making this type of breakup as such in our books of the accounts, so it is

like the billing, but what we can say as of now roughly it is of course the majority is the

PSUs and government clients.

Saurabh Ginodia: Is it safe to assume it is up to 90%?





Subrata Sarkar: Maybe around.

Saurabh Ginodia: That is all from my side Sir.

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

Investments. Please go ahead.

Keshav Garg: Sir I wanted to understand that in our segment results consolidated the third item is others

and there was no revenue only in the fourth quarter there was Rs.31 Crores revenue and there is a Rs.96 Crores of loss, so what is this other segment, what business is it exactly?

Subrata Sarkar: Can you repeat Sir?

Keshav Garg: Sir if you see our consolidated segment results the third item is other in which there is only

Rs.31 Crores revenue in the fourth quarter and there is Rs.96 Crores total loss for the year

what exactly is this segment?

Subrata Sarkar: Loss I mean you are talking about segment wise or year wise?

Keshav Garg: Sir, segment-wise results, if you see the second last page of...

Subrata Sarkar: These others are unallocable expenses because in our overheads and all these things these

cannot be allocated in a particular segment that is why it has been segregated per se that is why it is not a loss at all because in the other segment we do not have revenue, but in the other segments we have such expenses, which we cannot allocate to any particular segment

that is why it is not in the presentation nothing else.

Keshav Garg: I understood. Also last year actually since we made a huge provision and last year we made

Rs.48 Crore write-back also, so is there any possibility of a further write-back from the over

Rs.500 Crores, Rs.600 Crores?

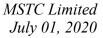
Subrata Sarkar: We do not rule it out because this year also we got a write back of around Rs.10 plus

Crores, that is included in the other income, so basically the meaningful recoveries keep on happening we do not rule out that recovery will not be there. These provisions are done on a very, very conservative estimate considering that the recovery is more, but this does not

mean that the recovery will not be there.

Keshav Garg: Looking at this COVID and everything lockdown, etc., you think that in first quarter we

will make a profit or we can go into revenue?





Subrata Sarkar: Sir, it is very, very remote, we are there but results are yet to be compiled and yet to be

analyzed, so until and unless that is there and do not worry we will be again meeting you after one-and-a-half months to answer your question. We are there to answer your question

Sir.

Keshav Garg: No Sir I think you are doing a wonderful job. I do not think investors need to be worried

until you are doing such a nice job.

Subrata Sarkar: So nice for your compliments Sir.

Keshav Garg: Sir one last thing in fourth quarter our quarter-on-quarter, our revenues fell from Rs.285

Crores to around Rs.194 Crores, but our employee cost shot up from around less than Rs.42 Crores to around Rs.55 Crores so going forward per quarter this employee cost will remain

at around Rs.55 Crores?

Subrata Sarkar: Yes, I am telling you that there are two parts. One this employee cost is around Rs.180

Crores, so in MSTC part it is around Rs.71 Crores and of course in the last quarter there was a charge, so some kind of provisions has to be made in the last quarter only because we come to know only about our whole life in the last quarter, so overall we hope that the next year there will be a little bit of increase that is a normal increase of 2% to 3% or 4% and

that is there, on the overall year-to-year basis it will be like that only.

Keshav Garg: As things stand today you think that in FY2021 the present financial year we will be able to

outperform or at least match the profit that we made last year of around Rs.100 Crores?

Subrata Sarkar: Pardon, if you can repeat it?

Keshav Garg: Sir, I am saying as we stand today do you think that in the present financial year FY2021

we will be able to at least match the profit after tax of around Rs.100 Crores?

Subrata Sarkar: It is too premature to tell because we have not yet crossed the first quarter. We are on

situation is volatile we cannot sitting over there, so we will keep on meeting you and talking

to you about our progress and all these things Sir.

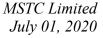
Keshav Garg: So this e-commerce segment that we have, is it like once we do a spectrum auction so we

get a one-time fee, once we do some other options for the government we get a one-time fee

or is there any reoccurring component also in this business?

Bhanu Kumar: Yes. It depends on the kind of work that we do. As I think a couple of years back we briefed

you about the UDAAN portal, so we do charge on something on the development charges





and every event also or AMC charges that is there, so during the duration of the contract we keep earning something or the other. So in case of spectrum also as and when we carry out an event there will be income, but as of now is for three years so as and when we do any event during the three years we will be earning.

Moderator:

Thank you. We will take the last question from the line of Mr. Rushabh Shah from Equirus Securities. Please go ahead.

Rushabh Shah:

Congratulation on a strong set of execution in e-commerce and committing to ramp down the trading business, so just wanted to get an idea on the scrap business of the e-commerce. Now that we are expecting some softness in the steel prices, but would it recover and the prices again increased, so how strong is the potential in that segment because we have won many contracts from the private payers in the last three to four quarters so any color on that front?

Bhanu Kumar:

Yes. See as far as scrap business is concerned first of all scrap will have to be sold nobody wants to carry that inventory at the end of the year, so we are expecting that whatever business we have not done in the first quarter or because of this COVID pandemic it will eventually come out in the next quarter Q2 or Q3. Secondly the steel prices that has an impact on the scrap prices, so that we are not able to estimate as to it will be the pre-COVID prices or it will be higher than that or it will be lower that is one estimation that we are not able to do, but we are sure that the business will be there because scrap will have to be sold whether it is in public sector or in private sector they will sell it.

Rushabh Shah:

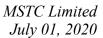
Perfect and apart from I think so whatever the new avenues in the e-commerce we have been working whether it was the Jaivik part or even for some oil players we were working on any new line of business or any new product that we are planning to come up in the next couple of quarters?

Bhanu Kumar:

See we are now improving upon whatever is already existing and making it as user-friendly as possible without human intervention, so based on that our e-procurement model, this year we have upgraded it to a new version and it has a lot of added features to make it more user friendly, so these are new products and I am sure we will be having more clients in our kitty when we improve our services.

Rushabh Shah:

Perfect and I think so last question from my part would be on the cash flow perspective, the cash flow from operations has been very strong at Rs.220 Crores, Rs.225 odd Crores, so going by that low working capital requirements in the e-commerce business and even ramping down of that whole trading marketing business can we expect these levels of cash flow generations at least in the coming years?





Subrata Sarkar: Yes, but what will be cash flow, it will be very difficult to speculate right now, but one

thing I can assure there will be a good quality of cash flow and good quality of balance sheet that we are going to deliver in the coming days with a secured and sound e-commerce

business.

Rushabh Shah: Perfect because I think so cash flow seems to appear very strong compared to what

valuations we are trading.

Subrata Sarkar: It will keep on depending upon the situation and scenario of any cut-off date but the quality

that we wanted to stress it out the quality of assets that we will be sitting on our balance

sheet will be pretty good.

Rushabh Shah: Perfect. I think so that is all from my side.

Moderator: Thank you. Ladies and gentlemen as there are no further questions I would now like to hand

the conference over to the management for closing comments.

Surinder K Gupta: Thanks all our investor friends for your valuable time and seeing the results from mostly

vendor as well as some concerns that you were having, I hope our team has satisfied your queries to a large extent. As our Director (Finance) and Director (Commercial) have informed we are on a strong growth path. We have very robust systems in place. The incremental costs are not large as compared to the incremental revenues that we expect from additional e-commerce activities. With the marketing, cash and carry businesses behind us in a couple of years the only significant work stream, revenue stream will be e-commerce, which is a good margin business. Although we are working in a very competitive environment still we expect to get good revenues for the company in turn good

growth path, the company's equity and investors interest also and their confidence in the

company. Thanks a lot. Thank you.

Moderator: Thank you. On behalf of Equirus Securities that concludes this conference. Thank you for

joining us and you may now disconnect your lines.