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लिमिटेड
(भारत सरकार का उपक्रम)



MSTC
LIMITED
(A Govt. Of India Enterprise)

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MSTC/CS/SE/247

2nd July, 2021

1. The Dy. Manager (Listing)
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001.
(Scrip Code: 542597)

2. The Manager, Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai 400 051
(Scrip Code: MSTCLTD)

Dear Sirs,

Sub: Transcript of Conference Call with the Investors/ Analyst

The Company had organized a conference call with the Investors / Analysts on Monday, 28th June, 2021 at 12:00 Noon 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 & Compliance Officer

Encl: as above



“MSTC Limited Q4 FY-21 Earnings Conference Call”

June 28, 2021



MANAGEMENT: **Ms. BHANU KUMAR – DIRECTOR (COMMERCIAL),
MSTC**
**MR. SUBRATA SARKAR – DIRECTOR (FINANCE),
MSTC**
**MR. AJAY KUMAR RAI – COMPANY SECRETARY,
MSTC**

MODERATOR: **MR. DEPESH KASHYAP – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the MSTC Limited Q4 FY21 earnings conference call hosted by Equirus Securities. As a reminder, all participants' 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. Depesh Kashyap from Equirus Securities. Thank you and over to you sir.

Depesh Kashyap: Thank you Mallika. Hello everyone. On behalf of Equirus Securities I welcome you all to 4Q FY21 earnings conference call of MSTC. From the management we have with us Ms. Bhanu Kumar – Director (Commercial), Mr. Subrata Sarkar – Director (Finance), and Mr. Ajay Kumar Rai – Company Secretary.

We will begin the call with opening remarks from the management and then we can open the line for Q&A. I will now hand over the call to Ms. Bhanu Kumar for her opening remarks. Over to you, ma'am.

Bhanu Kumar: Good morning to all of you. Year bygone was really a very tough year in terms of business, personal and operational matters. But I am really happy to note that the results have actually been very promising, and we have witnessed some good growth which was not envisaged even during the mid-year.

Now some of the major achievements that we could carry out in the last year, especially in terms of business is we ventured into a new project for the Rajasthan Government for allotment of liquor licenses. As you all know that MSTC has been a pioneer in offering customized e-commerce solutions for our clients. So, opening this basket to other sectors, now this is one new challenge that we faced, and we had to do this in record time of 15 days only. There were about 7,500 shops that were to be offered on license. This was done in a record time and the results were there for everybody to see. The Rajasthan Government is extremely happy with the results and the earnings, the figures that you can see Rs. 11,277 crores from these auctions. The government of Rajasthan has actually paved way for us for approaching other state governments to adopt this model for liquor licensing.

Another major area with regards to last year was selection of an agency for operations in the Andhra Pradesh Government. Sand has always been kind of an area which not many people wanted to touch because of the inherent culture that is there. Now Andhra Pradesh Government decided that we will adopt an e-commerce platform for selection of such an agency who can actually render the services in a very transparent way. So MSTC was the obvious choice for this. Here our role was not just limited to giving the platform services, we were more like a transaction advisor right from the bid document to MoU to final agreement, everything was done by MSTC. So, that has actually given us a new hope that our role can be a little more than the normal e-commerce platform or software service provider role that we have been doing for such a long time. So, this experience will definitely pave way for us for our

future ventures in this area. Then, as you all know the coal block, which was opened up for commercial mining they have been put out for auction. The second transfer is also conducted. And now there are about 67 mines that have been put up for auction in this year also, out of which the various stages are going on, some are first level, e-tender process is there, and this is likely to be completed by about September or so. Then properties is another area where MSTC has brought in a very strong foothold. Last year if I recall correctly, I had developed the IBA portal where we have given a very robust integrated platform for sale of all the NPAs of all the nationalized banks, about 40 banks or so. And now this year, in fact most of the volumes and e-sales figure that you can see are basically from the sale of such properties. Though the performance in that sector is just as expected, we are now in the process of taking it to the next level and based on this success we have signed an MOU with the custodian of enemy properties for utilizing e-Commerce services of the Company to sell thousands of such properties located all over the country. Apart from this DIPAM is also in the process of selling lot of properties of the PSUs and government sector for which we are preparing another customized portal.

Apart from that, you all know that the spectrum auctions were conducted in March, which was done for the first time by MSTC. This was actually a major challenge in respect of software development, but to the satisfaction of all agencies this was done in a very-very smooth manner, and it was lauded by all concerned including DoT and the entire cabinet and the Government of India as a whole.

Now these were a few highlights that actually translated to such a good e-commerce performance. Trading, as we have been promising earlier also, we are tapering it down. So, some of the revenue de-growth that you can see is basically because we have taken a conscious decision of, not doing much volumes in the trading segment because of our past experiences.

With these opening remarks, I will hand over this call to my colleague Mr. Subrata Sarkar, Director Finance, to explain to you the financials and thereafter we will be ready to take your questions. Thank you.

Subrata Sarkar:

A very good afternoon to everybody. So, as highlighted by our Director Commercial it was a very robust performance driven by the e-commerce growth. So, let me go to the figures. The company has crossed this volume of 1289.86 million in terms of value of goods transacted through marketing and e-commerce vertical which is around 1.25% growth over the value of goods traded in the same period that is the financial year 2020. Growth in the value of goods transacted through e-commerce vertical was higher by 2%. That means so far as revenue is concerned consolidated revenues were 7805.66 million in FY21 vis-à-vis revenue of 12313.99 million in FY20 decline of 36.62 % which is largely driven by de-growth in the marketing business. PBT is around 1358.84 million in FY21 vis-à-vis INR 1667.43 in FY20.

Now let us go to the detailed results. Standalone financials:

FY20-21 versus FY19-20. Total revenue stood at this year 6391.33 million as compared to 8922.08, the breakup of which is, marketing 4062.61 as compared to 6463.57 last year, e-commerce 2212.36 as compared to a 2019.99 last year and others 116.36 as compared to 438.52 last year. EBITDA (pre-provisioning) is 3739.17 as compared to 2303.72. Provisions and write-offs last year it was 713.90, this year 2498.65. Profit before tax 1146.81, last year it was 1294.91, a little down by only 11% and PAT it is 1010.70 as compared to 752.03, a growth of 34.40% as compared to last year. And naturally earning per share is 14.36 as compared to 10.68, that is a growth of 34.40% and the cash profit 3534.17 as compared to 1486.28 of last year.

If we go to the segmental reporting of standalone, it is a total revenue of 6391.33 as compared to 8922.08 and the revenue of e-commerce is 2212.36 as compared to 2019.99, that is e-auctioning sales comes to 1952.50 as compared to 1660.83 last year, e-procurement 75.28 as compared to 170.60 last year and other income remains almost on the same level 184.58 as compared to 188.53 last year. In the revenue segment of marketing, it is down by 37% from 6463.57 to 4062.61 and the expenses are also down from 7627.17 to 5244.52. PBT comes to 1146.81 as compared to 1294.91 and PAT comes to 1010.70 as compared to 752.02 last year. And if we go to the consolidated financials so total revenue is 9940.79 as compared to 12959.98. Marketing is down by 37% from 6463.57 to 4062.61. E-commerce is higher from 2019.72 to 2212.16. And scrap recovery and allied jobs, it is basically the segment of our 100% subsidiary company Ferro Scrap Nigam Limited. It is little bit down from 4098.87 to 3649.68 and others are down from 377.82 to 16.34. EBITDA is higher by 43% 2882.15 to 4137.67. Of course, it is pre-provisioning, provisioning and write-off 2520.59 as compared to 761.35 last year, PBT on consolidated basis is 1358.84 as compared to 1667.43 and profit after tax on the consolidated basis is 1129.59 as compared to 970.14 last year. On the consolidated basis the EPS is 16.05 as compared to 13.78 and the cash profit is 3836.95 as compared to 1897.64.

If we go to the summary financials. First to start with standalone:

Revenue from operations is 4277.45 as compared to 8307.08. Other incomes are 2113.88 as compared to 615 last year. Expenses, purchases and other consumable stocks and spares it is 1746.07 as compared to 5663.12 last year, employee benefits 677.58 as compared to 711.54. Finance cost is 68.90 as compared to 274.56, depreciation and amortization expenses it is almost on the same level from 24.81 from 20.35, provisions and write-offs 2498.65 as compared to 713.90. Other expenses are 228.51 as compared to 243.70 and PBT is 1146.81 as compared to 1294.91. Profit After Tax is 1010.70 as compared to 752.03 and on the consolidated basis the revenue is 7804.66 as compared to 12313.99. Other incomes are 2136.13 as compared to 645.99. Purchases and, etc., allied expenses are 2177.46 as compared to 6151.98, employee benefit expenses are 1733.93 as compared to 1828.05. Finance cost down from 287.22 to 71.46, depreciation amortization expenses are up from 166.15 to 186.78, provisions and write-offs 2520.59 as compared to 761.35 last year. Other expenses are 1883.13 as compared to 2070.86 last year and PBT on the consolidated basis is 1358.84 as compared to 1667.43 and PAT is 1129.59 as compared to 970.14 last year. And if we go to the consolidated

asset basis, total assets are 22477.61 as compared to 22011.50 and total liabilities on the same side. And total equity on the consolidated basis has come up to 5579.53 as compared to 4739.22 in the last year.

This is all from our side. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nisarg Vakharia from Lucky Investment Managers.

Nisarg Vakharia: I had two specific questions. My first question was that in the e-commerce business we have generally seen a range of between 55 crores and 65 crores in revenue and we have done about 85 crores in this quarter.

Subrata Sarkar: Can you be louder sir?

Nisarg Vakharia: I am saying in the e-commerce business generally our range has been between 55 crores and 65 crores topline. In this quarter we have done 85 crores. Have we executed any one-off orders in this quarter which is why it's higher or this is the new normal steady state run rate that we can assume per quarter for the e-commerce business? This is my first question.

Bhanu Kumar: Basically, what happens is every year the last quarter is probably the best performing quarter. This year also the same trend has happened. But this year what has happened is in the first quarter the business was not really robust. In fact, we couldn't carry out much business. As you all know our major earner is the scrap business. So, most of the scrap sale, there were two factors actually that led to this growth in Q4, first is the scrap business most of the materials that was shifted from first and second quarter that got sold in the last quarter. Second was prices as such of scrap has gone up by almost 10% to 20%. So, our revenue model is more on a percentage basis. So, when the scrap prices are high then the revenue is also better.

Nisarg Vakharia: Got it. Second question was that in this quarter we have seen a Rs. 200 crores provision and we have seen a Rs. 200 crores write back. Can you please enlighten us more on that?

Subrata Sarkar: The basic point is that in this we had written off Rs. 180 crores of provision that were made earlier. So, it was both way book entry, one is the bad debt written off and another is provision no longer required written back. So, it has got no effect on the overall profitability of the company. Rs.180 crores is around the bad debt that we have written off. So, both in the income side and in the expenses side both ways it is appearing. Again, I repeat it has got no bearing so far directly on the profit of the company.

Nisarg Vakharia: Now safe to assume that this is the last year of seeing these provisions and write backs and all those things and from next year it will be pure e-commerce driven company.

Subrata Sarkar: Basically, what we use to tell from the right one around if you can recall we used to tell that it is around (+) 120 (+) 130 of our sticky debtors' trade receivables in the cash and carry

segment. You can recall the earliest transcripts of calls also. Gradually we have got a provisioning policy in our place. We are realizing little bit of money out of that segment also, but for the conservative approach we are making certain provisions also. So, what we can say that around 47 crores to 48 crores of another balance of that risky segment is lying still in our trade receivable part, so that is the only vulnerable segment that we can foresee at this juncture. And gradually as a policy matter, if not realized it will be taken care of in the financials.

- Moderator:** The next question is from the line of Dikshit Doshi from Whitestone Financial Services.
- Dikshit Doshi:** Just continue with the first question of the previous participant, you mentioned that Rs. 180 crores of same accounting entry is there in other income and other expenses as well. Because I assume that when you are booking in other income the provision written back, it means you must have provided that in the earlier years.
- Subrata Sarkar:** Absolutely right. It was a provision of earlier year hence it has got no effect on the profitability so far in the current year.
- Dikshit Doshi:** Yeah. So Rs.180 crores in the other income is the provision write back which we must have provided in the earlier year. And then this Rs. 215 crores of provisions in other expenses, then that must be the new provisions. Right?
- Subrata Sarkar:** Two things, backdate written off 180-180 both sides. Both sides provision no longer it is a written back and bad debt written off. So, you have to minus this, balance is the fresh provisions for current year.
- Dikshit Doshi:** The 180 crores in other income must be of some earlier, let's say XYZ account which you have provided and got rid the...
- Subrata Sarkar:** Yes, earlier years.
- Dikshit Doshi:** And this 215 crores, that account will not be there in the other expenses because you can't write off right now and right back right now.
- Subrata Sarkar:** This is just a book entry. We are writing back the provision and making back date. We are declaring 180 crores as back date so just not to affect our books of accounts on the profitability provisions are written back and backdates are done in the books, that's it. It has got no bearing on the profitability of the company.
- Dikshit Doshi:** Okay. Now over and above so if I exclude 180 crores, another 35 crores of provision that must be purely from this account of which you are mentioning in the earlier calls that there is one sticky account of 120 crores.
- Subrata Sarkar:** Yeah, you are absolutely right. We have from that last quarter of December 2019, we have formulated the provisioning policy and gradually as a conservative approach we are making provisions in a staggered manner so that it is another, what I really just now explained that

around 50 crores is still left behind. This is in the sticky segment of the cash and carry and which has still been discontinued from the financial year 2019-2020. No further business is being done on this segment.

Dikshit Doshi: So now if I see the standalone balance sheet, the total receivables are around Rs. 723 crores. I assume that out of this some will be of e-commerce and whatever would be the marketing receivables, only 50 crores is a risky and rest are either 110% of bank guarantee kind of receivable, right?

Subrata Sarkar: Yeah, absolutely either 110% bank guarantee or in the associate model which is also as secure as it is like a bank guarantee and the e-commerce. So, if you can allow conservative approach 47 crores to 50 crores is in the sticky that is cash and carry debtor.

Dikshit Doshi: Now, in terms of marketing business, in earlier calls you have mentioned that we are going to taper down and there are some earlier agreements which we are actually executing and no new business we are taking. So, by when the marketing business will be completely out of the business?

Subrata Sarkar: As we are keeping on telling our investors like the tapering down of the marketing business, so those agreements are still certain supplies in the associate model, first of all, in the first step we have stopped cash and carry business from 2019-2020. So, one segment gone. Second segment in the associate model, so that supplies are continuing, and which is expected by FY21-22 there will be leftover supplies. So, with that supplies we hope that associate model will be temporarily out of the picture, we hope. Because of the COVID and all the supplies got delayed and everything. Now that things are in the full swing to FY21-22. Now coming back to that segment of 110% BG, of course in that also it is a very low volume that is going on, but as we have got a full security of that bank guarantee in our hand, so some tray businesses in the calibrated manner that we are foreseeing, of course, on receipt of the valid BG from the customers only, without which we will not do any kind of procurement or business in this segment.

Dikshit Doshi: You are saying that we will not completely 100% exiting the trading business. We will do...

Subrata Sarkar: Yeah. It is almost on exiting the trading business because cash and carry gone. The major volume comes from you can see the revenues that is from the associate model. That will also be over by 2021-2022. So, a very miniscule amount of this leftover of these 110% which will be there as it is backed by secured bank guarantees. So, it is some kind of thing that we are envisaging. But of course, depending upon the availability of the valid BG and all, without which not a single business in that trading business.

Dikshit Doshi: Now in terms of e-commerce, ma'am said that this quarter had some benefit of scrap business because the volumes were good and even the prices were up. So, can you just break up the e-commerce revenue for this quarter in terms of let's say scrap sales and other kinds of options?

Subrata Sarkar: Typically, you see we are keeping on telling like around 50% comes from scrap and allied scrap business. So almost the trend is continuing, the trend and the mix product which almost remaining the same as in the earlier years, that is a continuing. If we are taking from a particular customer, it might be scrap and it might be some kind of e-sale also from that particular customer. So, it's a composite type of revenue. But on a conservative estimate on a just thumb rule that we can say that around 50% of our e-commerce is from that scrap segment.

Dikshit Doshi: Q4 we have a very good jump in the e-commerce. So even in the Q4 it is around 50%- 55%.

Bhanu Kumar: No, Q4 e-commerce income is much more.

Dikshit Doshi: I am saying, the Q4 e-commerce businesses has substantially jumped. Even in Q4 the scrap sale is only 50%-55%?

Subrata Sarkar: As I explained you, on thumb rule it is generally the same trend. So, of course the composition remains almost same, and scrap has a major role to play because as our Director Commercial Madam explained, because scrap prices has gone up, so it is contributing a big chunk, but almost product mix remaining the same.

Dikshit Doshi: And one last question from my side. So, in last concall you had mentioned that we are planning to start iron ore auction for JSW Steel. So, have we started that and if you can just elaborate the opportunity on the private sector, what is the current mix of e-commerce from, let's say revenue from government and private?

Bhanu Kumar: Yes, we did conduct a couple of events for JSW for sale of iron ore. But there were some teething problems and right now the auctions are not happening. We hope that it will happen anytime soon now from the private sector, not just with JSW we have pursued with other clients also, so this will be there. And the private sector contribution is more or less same as last year. About 90% of our income is coming from the government sector. The rest 10% is coming from the private sector. Private sector actually we are already introducing new revenue models because the way they work is quite different from the way government sector works. So, they don't want many of the activities that we do for the government sector. So, we are tapering down these services, but we are giving more value-added services in terms of the price trend analysis and all those things. So, the private sector volumes it will definitely go up, but the revenue may not be commensurate to the volume. Finally, what happens is when you come to the analysis of the revenue from e-commerce sector it may remain at 90:10 for quite some time. Our focus is there on private sector. Let's see where it takes us.

Moderator: The next question is from the line of Varun Goenka from Nippon India Asset Management Company.

Varun Goenka: I had two questions. One, some of the coal block auctions or telecom auctions or some of the businesses probably non-recurring in nature. Could you help us understand the recurring part

of the e-commerce business? What is probably the next 3-4 years, what kind of outlook, what are the possibilities, what are the growth opportunities do we have? And how do we understand that? So, if you could help us understand the recurring part and the non-recurring part.

Bhanu Kumar:

You are absolutely right about this being non-repetitive, but the revenue from this stream is also not really considerable. In fact, for a spectrum auctions, we did it just because it will give us a lot of mileage and confidence in taking over new challenging opportunities. The revenue was very miniscule. Coal block, again as I said, this is actually a very long drawn process, coal blocks all the blocks don't get sold off in one particular year. So, in the past we had sold some, this year there will be something probably one or two more years it will continue. Similar is the nature of mineral blocks. But this has given us the opportunity to actually explore the volumes in the mineral sale. Now, what happens is when coal block gets sold after about 2-3 years of operations the mining activity starts and then they have the mined coal. Now those companies again we approach them, and we are the chosen service provider for sale of that coal that is mined. So, that is a very recurring activity. So, we are in talks with a couple of companies who have started the mining activities from the coal blocks that were allotted in the previous tranches. Similar is the case with minerals also. So, some of the iron ores that I was talking about, not just JSW, other companies also the blocks that they have got in the previous year, once they started the mining activities, then we are the chosen service provider for sale of such minerals coal, all kinds of produce that is coming out. So, that gives us an opportunity, so we should not be thinking that this is not repetitive so maybe after a couple of years the revenues may not be coming from this sector. But it is giving us new opportunity in that sector.

Varun Goenka:

And about the recurring part. How do we understand that and how do we grow that?

Bhanu Kumar:

The pre-sale part, actually if you see, lot of minerals, coal, iron ore that we are selling these are recurring and these have been with us for more than a decade now. And the volumes have just been ever increasing in that segment. So that is recurring. So, the scrap business is recurring. The e-sale businesses recurring. E-sale out of which certain portion where we are selling the blocks that may not be recurring, but the revenue stream from that is not very considerable. So, we should not really worry about once the blocks are away then maybe we will not be getting something. As I said in my opening statement we talked of liquor licenses, so that's a new opportunity that we got. And this happens every year. One tranche of events happens every year, in one state itself we could get this kind of an appreciation then we have so many states. So, we are going to expand in that sector also. So, if you actually see, one is growth as such in the recurring sector. Second is there will always be one-off but as I said once we perform well then everybody keeps coming for either the same business or for some other business, the client is same, so you can't actually say that it's not recurring. The client is recurring.

Varun Goenka:

And just to cover this up better, on the balance sheet side post this trading business going off in the next one year odd, what is the kind of capital we need to grow our business? What is the kind of investments we have done on our team side or on our marketing or sales side? If we

can have some kind of a view on both the sides. One is the balance sheet what will be our balance sheet looking like and second on our team.

Subrata Sarkar:

You have put a very fundamental question. Going by that trend that we are now moving towards, the balance sheet will be a little bit trimmer because we will have a thin amount of very-very slim trade receivables and there will be, of course, payables will be also going down and we are now almost a debt free company. So, basically it will be a very cozy type balance sheet with small trade receivables. We will be having cash and bank balances. So far investment that you just told, our management is thinking in that particular region and as already we have told earlier also, so far overheads are concerned company is having a very-very lean manpower, so we are having very low overheads costs and going forward it will be an investment in that e-commerce segment only and in the technology and knowledge enhancement. These we have envisaged. Of course, it will be the investment and the growth oriented by the e-commerce. So far that is the vision of our company right now.

Varun Goenka:

On the balance sheet side just to clarify, how much we will be retaining and what is the kind of payout ratio that we are paying?

Subrata Sarkar:

Very difficult to envisage right now. We are on a transition phase, so in the next year hopefully I will be able to throw more light. We are trying to just see that by 2021-2022 major our trading orders and all these things which are on our book, that is being completed and revenues are realized, then we will be in a position to just recap and do the recalculation. So, hopefully by 2022 we will be in a position to show some kind of thing that how the future balance sheet will be like. But of course, it will be the philosophy that it will be e-commerce-oriented growth and e-commerce-oriented balance sheet.

Moderator:

The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda:

I have two questions. One, what is the nature of the other financial liabilities which is there in our consol balance sheet of (+) 800 crore? And what will be your gross debt and net debt? How should we look at it in your balance sheet?

Subrata Sarkar:

As just now I was trying to answer the question of other esteemed investor, we are right now almost a debt free company. So, coming forward this idea like do not have any fund based right now requirement of the company because we have got enough cash sitting in our kitty. So, maybe some kind of non-fund based if we require. So, almost a debt free type projection right now.

Pritesh Chheda:

Almost debt free in the sense, should we consider there is 900 crore other financial liability plus one, so it's a borrowing that is there on your balance sheet, is my question.

Subrata Sarkar:

I am telling you one by one. Debt part okay. Now I am coming to the other financial liability. Let me answer that. Other financial liabilities are basically some kind of cash that is, they are coming to take through our portal for mid sale value and, etc., so that is lying in a transition, a

little bit amount. So, it is almost looking like it will keep on fluctuating on year-to-year basis and the model that we are following. So, other financial liabilities are in nature of that only. It is basically that money that is routed through our mid sale value of our principle, and etc. It keeps on daily basis, comes and goes, comes and goes like a...

- Pritesh Chheda:** I am unable to understand. Is it debt or is it is not debt?
- Subrata Sarkar:** It is not a debt. It is not a debt at all.
- Pritesh Chheda:** It is not a debt.
- Subrata Sarkar:** It is not a debt.
- Pritesh Chheda:** Is it a kind of payable for us?
- Subrata Sarkar:** For a debt we have to classify it is as a debt, we have to classify it is a borrowing, it is not a debt at all. It is a financial liability that means some kind of money, some material value that is passed through our portal that is lying on some any closing debt that is lying there only. It is not a borrowing.
- Pritesh Chheda:** So, your gross debt in your balance sheet is about 150 crores is what I see at the end of March 2021 and your cash is 750 crores?
- Subrata Sarkar:** Yeah.
- Pritesh Chheda:** My second question is, we would have started gaining from the scrap recovery prices in our topline number. So, is it fair to assume that until the scrap recovery prices sustain at a higher level, what we delivered as e-com revenues in Quarter 4 are basically sustainable numbers because if half of your revenue is scrap and if scrap is up 20% or 25% whatever be the number, automatically you start into a revenue growth mode, is that assumption correct?
- Subrata Sarkar:** Basically, let me explain you in a very lucid manner. These mathematics basically scrap market, scrap market in India still it is not that organized. It is in that stage. It does not work in that mathematical model in the right way. The prices going up, that has to be some disposable scrap at their scrapyard also. So, Quarter 4 growth was basically driven by two factors. One was the price. Second there was some disposable stock of scrap lying at their pit heads. Because there was no movement of the scrap in the first quarter per se and the second quarter, so that shifted to fourth quarter. So, it does not go in that particular mathematical fashion, like that 20% scrap goes up and the revenue also grows up, no, there has to be a mid-sale in the stockyard also. Like the generation of the scrap and of the party to realize that scrap also, value of the scrap. So, lot of factors work on this particular model. But the past trend you can see the trend, but we can sustain this thing hopefully.
- Pritesh Chheda:** I couldn't understand the last statement, you could sustain what, sir?

- Subrata Sarkar:** Just a minute, our Director Commercial will explain that.
- Bhanu Kumar:** The scrap is a business that we have been doing for more than 30 years now. So, based on the volumes in the recent years we are hopeful that this will sustain for a few years ahead. And if the prices go up then yes that will be double bonanza and we will have increased volume as well as the prices will firm up.
- Pritesh Chheda:** You think volumes will sustain, but there is every reason there also to believe since the market is unorganized and we are penetrating in the private names by virtue of the deals that you had announced of Reliance and Larson and all, there is reason to believe that even volumes will go higher, right?
- Bhanu Kumar:** I am able to say that the growth trajectory will be maintained. It doesn't actually go in a very exponential manner. We have seen that the growth in the volume of scrap has been in a very-very, it is a very slow kind of moving item. Some years some major plants that will be coming up for disposal, there's always new plants coming up in places of old ones, then maintenance work is happening. And now with newer modern technology these plants and these things are more efficient so the kind of sales that may be there after a few years we can't expect right now. But at least in the coming years, in the near future this kind of growth can be expected.
- Moderator:** The next question is from the line of Dipen Shah, an Individual Investor.
- Dipen Shah:** I had a couple of questions on the e-commerce front we have got a good amount of visibility as far as the revenues are concerned. If we look at in the current quarter, the margins which we have made from the e-commerce business are almost similar to the revenues, so maybe there is an accounting issue there. But on an annual basis we actually understand there is a 75-crore employee cost for the company on the e-commerce business. And there is another about 25 crores. So, about 100 crores will be the expenditure for the e-commerce business on annual basis. Would that be a correct statement to make?
- Subrata Sarkar:** We have been keeping on telling that our salary and overhead hovers around 100. This year also it was around 69 to 70, let us take a very rough estimate at 70 crores, 70+20, between 90 to 100 at this particular level, operate at this trajectory. So, maximum to maximum 100 crores of salary and overheads will be sufficient to sustain this type of volume level.
- Dipen Shah:** Should we assume that any increase in the revenue, say this year we made about 220 crores of e-com revenues, if it goes to 250 just for argument's sake in the next year, should a lot of that additional 30 crores flow to the bottom line, sir?
- Subrata Sarkar:** Almost most of that because at this (+) (-) 10% trajectory we will be having the same kind of overheads. That is the trend that we can observe from the past.
- Dipen Shah:** Second question is about the IPO of the subsidiary company. Any further updates which we can get or maybe some more color on that?

Subrata Sarkar: There was no IPO planned for our 100% subsidiary company Ferro Scrap Nigam Limited, of course, there was a plan. So, as and when that development will be there it will be in the public domain and the basic thing is like that it is as per the policy of Government of India. So, whenever they will decide it is being dealt by DIPAM, Department of Investment and Public Asset Management, whenever they will decide and whatever they will decide, it will be available in the public domain, and you will be suitably informed from that public domain only what is going to happen. So, it is fully and fully the policy of Government of India, what will happen to that company.

Moderator: The next question is from the line of Riken Gopani from Capricorn Research.

Riken Gopani: I just had one question which was a clarification to the comment about the e-commerce business. Ma'am, just in the previous answer mentioned that there is good visibility that the e-commerce business growth should sustain. So, just more clarity here, so are we saying that despite the fact that Q4 had a higher scrap volume the run rate should be closer to the Q4 or are we saying that the growth will be similar to the 10% that we saw in e-commerce in FY21? What is the comment, how should I read into the comment?

Bhanu Kumar: Q4 should not be seen in isolation. What has happened is in Q1 and Q2 there was lot of volumes that actually could not be transacted. So, all that got pushed to Q4. So that is more like an aberration. We can't say that that is going to be the future in every quarter from here onwards. So, on an average as we have been saying in the past 10% to 15% is the bottom-line e-commerce revenue is what we can expect to happen, unless there is an exponential growth in the volume and sales, and we are able to penetrate more markets in a very drastic way. Of course, our efforts are there but we have to see the resources at our disposal and all those things before we take a plunge into a bigger growth trajectory. So, Q4 is more like a push from Q1 and Q2 and that's why the very good growth. Going forward we can expect about 10% to 15% growth as has been happening in the past few years.

Riken Gopani: Just one follow-up to that is, given the fact that in FY21 the base got impacted because the first half was relatively weak. Will the growth rate therefore be relatively better in FY22 given the low base?

Bhanu Kumar: See, 2021-2022 we are not going to make any more predictions with this pandemic, whatever has happened in the last year, the second wave and all those things. We are just keeping our fingers crossed that we don't get affected. But we can't be making any predictions for this year or onwards. We are a little pessimistic in this area.

Riken Gopani: So, if you could just give one clarification which is, in the Q4 FY revenues for e-commerce, if you were to normalize it for the higher volumes because of the past, would you be able to give some clarity on that, what would be the normalized number looking like?

Bhanu Kumar: As I said, the scrap prices increased by about 15% or so, and 50% of our income e-commerce revenue is coming from scrap, so you can yourself do this arithmetic.

- Moderator:** The next question is from the line of Jehan Das from Nirmal Bang.
- Jehan Das:** If we compare MSTC e-commerce offerings with the government's e-market place portal, so what are the overlapping areas between both the portals and what kind of MSTC revenue comes from these overlapping segments?
- Bhanu Kumar:** I think we had answered this question in the past and as you can see in the results also, e-procurement is the area in which the government e-market place operates. They are here to provide the e-procurement platform and e-procurement services for government goods and services. So, if we actually analyze the e-commerce revenue there has been a de-growth in the e-procurement from about 17 crores to just about 7.5 crores. This is mainly on account of two factors. One is the Gem, and the other one is actually we used to conduct many events as a transaction advisor for imported coal for certain power utilities in the country. So, that did not happen because there's so much emphasis on using the domestic coal only. So, the import of coal was considerably reduced last year, and such events didn't happen. So, the e-procurement segment, so basically the de-growth in e-procurement is mainly because of Gem as well as this slide in business of imported coal. Government e-market place is, yes, definitely a threat as far as the common goods and services are concerned but as I have been saying in the past, MSTC operates in a very niche area and a portal may not be able to cater to the requirements of all the buying requirements of all the government organizations and, of course, even the private sector. So, that is where we come into the picture, we offer customized solutions. So, there is a threat from Gem, especially in the e-procurement segment. But we are taking up this challenge through our different offerings to our clients.
- Jehan Das:** So, you said that the e-procurement revenues have come down to less than 10 crores, so going forward that shouldn't be a big threat, right?
- Bhanu Kumar:** Yeah. But Gem is a threat because the government has been pushing for usage of that portal and obviously many of our clients for the government goods and services have already migrated or in the process of migration. So, there can be a little reduction further in the e-procurement segment because of the migration to Gem. But we expect to compensate that by giving customized solutions and other offerings to our clients. So, your question was to which sector Gem is a threat. So, I would like to clear here that it is basically operating in the e-procurement sector.
- Jehan Das:** These other segments where we are dominant of scrap metal and coal, iron ore, those could not have any impact?
- Bhanu Kumar:** As far as scrap is concerned, see we have about 30-40 years of experience. The kind of services that we offer is unmatched. And that is why lot of our private sector clients they have also given the trust and they have given us the work for scrap disposal. So, that gives us some confidence in scrap segment. But for others as I said, our e-commerce trajectory our e-commerce performance has been quite good, and we hope that it will continue at least in the short term.

- Moderator:** The next question is from the line of from Ashish Kacholia from Lucky Investments.
- Ashish Kacholia:** Would you like to share with us your progress on the automotive scrapping joint venture, the one with the Mahindras?
- Subrata Sarkar:** You can see from our financials also that we have now reduce the losses of that joint venture. It is working, it has got already three scrapping centers. One at Greater Noida, second at Chennai, third at Pune and it is coming up with more scrapping centers. We are just waiting for broader rules and guidelines from Government of India. Already there is a push for establishment of the scrapping center, so we are ready for that, absolutely ready for that challenge. And as soon as the broader guidelines are there, we will be seen, we will be quite visible, and we will be the front runner in this particular segment. And of course, we will have the first movers' advantage in this segment.
- Moderator:** The next question is from the line of Jeewan Patwa from Candyfloss Investments.
- Jeewan Patwa:** I just want to understand again the same question asked by Ashish. Any plan on how much you are going to invest in that joint venture, the scrapping Ferro joint venture? The MD of Ferro has actually said in some interview that they are going plan some 25 centers across the country.
- Subrata Sarkar:** Can you please repeat?
- Jeewan Patwa:** I am saying have you planned any investment in the scrapping joint venture with Mahindra? MD of Ferro, the joint venture has said in the interview that they are going to plan some 25 centers across the country. So, is there any plan on how much MSTC is going to invest in that joint venture?
- Subrata Sarkar:** Just now I have answered the previous question. First of all, it is a 50-50 JV. So, it will be an equal contribution from both the JV partners. So, that part is very much clear. And the second part is we are just waiting for broader guidelines. As soon as those broader guidelines are there, so we will estimate and accordingly we will plan our CAPEX in that particular region. So, until and unless there are broader guidelines, we are waiting for that. But it is for certain, and we are repeating again it is for certain, it will be of course a very priority area so far as MSTC is concerned because it is another segment that we are eying, and we will be going with that particular venture in a bigger way.
- Moderator:** The next question is from the line of VP Rajesh from Banyan Capital.
- VP Rajesh:** My question was regarding what you answered on the other financial liabilities. Are you booking it on your balance sheet because you have the material whether it is scrap or something else in your custody and that's why you have to write it in your books? If you can just give some more understanding on that entry, that will be helpful.

Subrata Sarkar: It's a very typical accounting entry. Suppose you receive Rs. 5 on your account or on others account, you have to book it as a liability. Because you have to again pass it on to your principle. So, it is a very simple accounting entry that we have to do it because we have to account for any amount that is coming into our balance sheet, we cannot keep off balance sheet items. So, it is very simple. Suppose on behalf of our principle we receive Rs. 5 from the customer, it is a transitional amount so till I transfer it to my principle on the regular basis, so it will be shown as a liability only towards my principle. So, it's a very simple accounting entry. Nothing to do with stock or some kind of thing.

Moderator: The last question is from the line of Varun Goenka from Nippon India Asset Management Company.

Varun Goenka: I wanted to understand the payments opportunity from you. If you are handling such large volume of goods and services who handles the payments and the payment gateway related?

Subrata Sarkar: I could not get your question. Can you please repeat?

Varun Goenka: We get our services from the auctions, etc. Who handles the payments chain in that? If a customer is making the payment for purchase or service who handles the payment gateway and the payments for that?

Subrata Sarkar: Our bankers, we have got a consortium of bankers, they handle. We have got Punjab National Bank, we have got State Bank of India, we have got IndusInd Bank, so they handle this portal payment chain. So, we are totally dependent upon our associate banks who handle all these things.

Varun Goenka: So, why don't we have our own payment gateway or payment services?

Subrata Sarkar: It is a very-very regulatory thing. It involves a lot of guidelines and RBI regulations. So, it is a matter of policy decision. So, it has to be decided by Government of India. It is a Government of India company, so it is decided by the Government only. As of now the situation is like that, we depend upon the RBI scheduled banks and the bankers are handling it in a very efficient manner.

Varun Goenka: And just on the services side, since we keep saying e-commerce company, are we going behind any kind of government services like e-procurement you are saying is growing and the government is focused on growing that. But beyond scrappage, mining, are we going behind any kind of a services opportunity, either government or...

Bhanu Kumar: Can you repeat your question, your voice is breaking. Are you talking about handling the volumes in various sectors?

Varun Goenka: What I meant to ask was since we are handling a lot of metals mining scrappage related, are we going behind any kind of services opportunity?

Bhanu Kumar: What we are offering is actually services only. Are you actually asking about the other allied services in these sectors?

Varun Goenka: Yeah, but I mean I am saying beyond the industrial or mining sectors and beyond one-time opportunities like telecom auctions, are we really addressing any kind of a services opportunity which could be related to marketplace or payments or any kind of consumer services?

Bhanu Kumar: So, you are basically talking of value-added services apart from the e-commerce services, platform services that we are providing. So, in this direction actually we had been talking in the past also that we have our eye on agro sector and expansion of our presence there so towards this we have associated with certain logistics partners, but then as you know the penetration has to be very-very high. We need lot of associates and other peripheral activities to be carried out. So, it is a very promising area, but then it is not so easy, you can't expect into this area overnight. It's a very slow process and we are in this process of associating with various logistics service providers, last mile connectivity and handling or packaging and all those things are there for B2C customers. We had said in the past that we are also addressing the B2C customers because our presence more or less has been in B2B and G2B so far.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments.

Bhanu Kumar: I thank all the investors who were on the call today and with whom we have interacted in the past. The kind of confidence, the kind of questions that they had been asking actually gives us insights into what can be done, what is our role and what is expected of us. So, I am really happy that people have been following us so closely and we are just hoping that this pandemic thing is over, and we are back to business full-fledged, and we are able to repeat the performances that we have shown in 2021 and in probably much better way. And with that I really thank Equirus as well as all the investors for joining this call. Have a nice day.

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