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लिमिटेड
(भारत सरकार का उपक्रम)



MSTC
LIMITED
(A Govt. Of India Enterprise)

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MSTC/CS/SE/88

18th November, 2019

1. The Dy.Manager (Listing)
BSE Limited
PhirozeJee jeebhoy Towers,
Dalal Street, Mumbai 400 023.
(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 Sir/Madam,

Sub: Transcript of Conference Call with the Investors/ Analyst

The Company had organized a conference call with the Investors / Analysts on Thursday, 14th November, 2019 at 01:30 P.M. A copy of transcript of conference call held with the Investors/ Analysts is enclosed herewith for your information and records.

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

Thanking you,

Yours faithfully,
For MSTC Limited

(Ajay Kumar Rai)
Company Secretary and Compliance Officer



Encl: as above



“MSTC Limited Q2 FY2020 Earnings Conference Call”

November 14, 2019



ANALYST: MR. DEEPAN KAPADIA - EQUIRUS SECURITIES PRIVATE LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to MSTC Limited Q2 FY2020 earnings conference call, hosted by Equirus Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepan Kapadia from Equirus Securities. Thank you and over to you Sir!

Deepan Kapadia: Thank you Neerav and good afternoon everyone on the call. On behalf of Equirus Securities, I would like to welcome you to the Q2 FY2020 earnings conference call of MSTC. From the company, we have with us key senior management team including Mr. B.B. Singh, Chairman and Managing Director, Ms. Bhanu Kumar, Director Commercial, Mr. Subrata Sarkar, Chief Financial Officer and Director Finance and 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 then we would open the call for Q&A. Thank you Sir and over to you!

Bam Bahadur Singh: Good afternoon to everyone who are on the call, this is BB Singh, CMD. We will talk a little bit about our financial performance, which is the consolidated one. We have revenues of 2792.77 million in Q2 of FY2020 vis-à-vis revenue of Indian Rs.8512.29 million in Q2 of FY2019. There has been decline of 67.19% and it was largely because of the fact that we are exiting from the trading business, we have been talking a lot on the trading business that we will be tapering down this business so that is why there is degrowth that has been registered. This is mainly because of the marketing business, but we are planning to offset this deficit towards making a boost in the e-commerce business.

We have PBT of Indian Rs.452.37 million in Q2 of FY2020 vis-à-vis Indian Rs.4030.69 million in Q2 of FY2019 it is a loss. So improvement in profitability is on account of the decline in provisions. During the year 2018-2019, we had to do very large provisions, but this year we are not providing anything that is why there has been an improvement in the profitability of the company and as I said that there would not be any incremental provisions for the period. Now towards the business update, as I told you that we are largely going to be e-commerce as we are hiving off the trading business, so e-commerce is going to get good boost and all the resources, everyone’s efforts are now generalized towards increasing the e-commerce business.

We have signed a lot many big ticket agreement with public sector as well as private sector that is the hallmark that we have signed agreement with the private companies, we have been talking in the past also that the business from the private company was not tabbed by MSTC to the full extent, but now these things are happening and we have brought many private companies in e-commerce business, so we hope to increase this segment of business from the private to a greater

volume in the days to come. There are some milestone agreements that we have signed that is HMEL Energy and HMEL pipelines then Northern Coalfields Limited then Bihar State Road Transport Corporation then with SEBI we have signed the agreement, then Andhra Pradesh Industrial Infrastructure Corporation, these are only indicative not exhaustive and then the another hallmark of the e-commerce business in the recent past has been that we have signed an agreement with Indian Banking Association and for which we have developed a very exclusive portal for the disposal of NPAs and under this all the 40 banks will be disposing their NPAs through our portal so, this is going to be a big opportunity for MSTC.

In e-commerce I have been telling that we have many sub verticals in the e-commerce, the agri and horti is one that NPAs in the past also we have been doing and the signing of the agreement with IBA has given a further fillip to the e-commerce business of MSTC. Then we have lot many opportunities in e-auction of mineral blocks be it coal blocks and other minerals major or minor both that has been happening and it is steadily growing, so this also gives us good opportunity, then minerals also per se we have been doing coal and **steel** etc, many districts we have been doing and we are also adding new customers in the sale of the mineral blocks, one is from the North-East, once we signed the agreement it will be known to everyone.

Then, the e-retail software also we have bagged some orders from the board and all that for development of the software ERP solution for them. This is also a sector for MSTC because we have expertise in development of the ERP solutions for the organization, so that we are going to take it you forward. This also has a very great opportunity. With regard to all the numbers and our financials, Subrata Sarkar will be talking on this. Thank you very much.

Subrata Sarkar:

Good afternoon to everybody. These are the standalone numbers, so let us go first to the segmental reporting. For Q2 FY2020, total revenue was Rs 1854.43 million and then revenue from e-commerce is Rs 415.22 million the breakup of revenue is e-auction and e-sale is Rs 345.56 million, e-procurement is Rs 27.40 million, other income is Rs 42.26 million and the revenue from marketing is Rs 1437.80 million, total expenses are Rs 1481.11 million, and profit before tax is Rs 373.32 million and profit after tax is Rs 243.82 million, so vis-à-vis this Q2 of FY2019 is Rs 7581.03 million, revenue from e-commerce is Rs 565.83 million, e-auction and e-sale is Rs 503.67 million, this is a decline of 31%, e-procurement Rs 38.30 million decline of 28% and other income Rs 23.86 million, which has gone up 77% and revenue from marketing, it has also declined because of the concerned effort of decrease in our marketing segment is Rs 7013.41 million, total expense is Rs 11730.90 million, PBT is it was a loss last year Rs 4149.87 million and it was again the loss last year because of the provisioning, which is Rs 4424.06 million and the Q1 of FY2020 total revenue was Rs 3999.95 million, revenue e-commerce was Rs 503.30 million, revenue marketing was Rs 3495.76 million, total expenses was Rs 3612.77 million, PBT was Rs 387.18 million and PAT was Rs 251.93 million marginally higher than this quarter and let us go to the direct results. Let us go to the consolidated financial highlights that is

total revenue for this quarter is Rs 2792.77 million, marketing is Rs 1437.88 million, e-commerce Rs 415.22 million, scrap recovery and other allied jobs, this consist of mainly of our subsidiary company Ferro Scrap Nigam Limited Rs 938.34 million, others Rs 1.33 million, EBITDA Rs 551.51 million, PBT Rs 462.67 million, profit after tax Rs 296.28 million, EPS is Rs 4.17. As compared to that in Q2 of FY2018-2019, total revenue was Rs 8512.29 million, it comprises of marketing Rs 7013.41 million, e-commerce Rs 565.84 million, scrap recovery and other allied jobs Rs 931.25 million, others Rs 1.79 million, EBITDA it was a loss Rs 3837.27 million, again PBT was loss Rs 4030.69 million and of course the net profit was also a loss Rs 4347.88 million, EPS it was a negative EPS of Rs 61.76 and as compared to that in Q1 of FY2019-2020 the total revenue was Rs 4915.43 million, marketing Rs 3495.73 million, e-commerce Rs 503.30 million, scrap recovery and other allied jobs Rs 915.50 million, others Rs 0.87 million, EBITDA Rs 577.73 million, profit before tax Rs 457.54 million, profit after tax Rs 290.77 million and EPS is Rs 4.13. Then I will go to the performance analysis. For performance analysis I will now hand over to Director (Commercial) Bhanu Kumar for that.

Bhanu Kumar:

Good afternoon all of you. The e-commerce business has fallen by about 10%, this is mainly because of 50% decrease in e-sale this I am talking about volumes and 64% decrease in coal, 24% decrease in scrap. These are basically because of the sluggish market condition everybody is already aware of the trade sector scenario as on date and this was partially offset by 20% increase in the iron ore sale that was the only silver lining in the entire e-commerce business during the H1 and 17% growth in terms of volume in the e-procurement business. E-commerce business growth was partially impacted by the general elections in the Q1 because most of our clients are in the government sector or the government departments themselves and due to weak industrial conditions especially in the scrap sector and there is a sharp fall in the scrap prices as such, there has been a fall of almost 25% to 30% in the scrap sale and another factor that is happening is we are not able to sell because the estimated price for the scrap has not been brought downwards by our own clients and which is a very long process, which involves probably a few month's time, so after repeated attempts once we justify that there is a steep fall after that only the reserved prices can be brought down and then the sale is actually affected, so because of that the scrap itself was not getting sold. Now this is one of the reasons for the flattens or the negative growth in the e-commerce business. Now, as far as the net revenues are concerned the marketing revenue is in the range of about Rs 1400 million and e-commerce revenue is in the range of about Rs 700 million. Employee benefit expenses, this has gone down in the second quarter, in Q1 it was about Rs 438 million now it is Rs 425 million. Regarding the finance cost because we have now tapered down the trading activity, so the finance cost has also come down, so in Q2 FY2020 it is Rs 80 million and other expenses excluding provisions in Q2 FY2019 it was Rs 490 million and in Q2 FY2020 it was Rs 503 million. Now regarding our business verticals, I think in the opening statement itself our CMD has talked about what is there in pipeline as well as what we have done in the first H1 of this year, so this holds a very good potential as far as e-commerce activities are concerned, but due to market conditions it is not

translating immediately into sales volume or revenue, so probably we all need to keep some patience and we are hoping that Q3 and Q4 will be better than this. Thank you.

Bam Bahadur Singh: Now, coming part to this P&L we have already discussed, so I will tell about something our summary balance sheet. So we have got a total of non-current asset is Rs 4379.15 million and total current asset of Rs 20052.02 million total asset coming to Rs 24431.17 million and in the equity side the total equity comprises of share capital of Rs 704 million and other equity comes to Rs 3718.35 million, total Rs 4422.35 million and total of non-current liability is Rs 771.54 million and total current liability is Rs 19237.28 million, the total liability side is Rs 24431.17 million. So with that we will now finish our presentation, so for the Q&A session please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kshitij Bhartiya from Mount Intra Finance. Please go ahead.

Kshitij Bhartiya: My first question is like if you can give a breakup of e-commerce business, what are the commodities we trade and at what percentage number one and second in e-commerce business what is the revenue or charges we charge for that, let us say if 100 Crores is traded in our e-commerce side then how much do we earn as a fees?

Bhanu Kumar: Information will be provided separately to you.

Kshitij Bhartiya: Let us say in terms of service charges e-commerce whatever this Rs 40 Crores what we are earning, out of which how much we are charging as a service charge for the scrap and how much is for e-sales and how much in e-procurement, what I mean to say out of this Rs 40 Crores, how much average service sales we collect from scrap and how much from e-sales and how much from e-procurement?

Bhanu Kumar: In the past trend it is generally seen that 45% of the e-commerce income revenue is coming from scrap sale, about 25% to 30% from e-sale and the rest from the e-procurement and retail software, customized software also sometimes we are preparing and retailing it out, so that balance is coming from that, so this is the general ratio.

Bam Bahadur Singh: Actually what madam has said is only indicative in e-commerce we have range of products, we are also selling the human hair from TTD and other endowment, the temples and all that, then agri and horti products, we have been selling the food grains, the fruits and all that and we are going to sell the organic products through our newly created portal JV KT, which we have developed for Ministry of Agriculture, so it is a mix of products, but what we have been talking is broadly indicative, which we can say even the billboard also we can do, so in the e-commerce we cannot say that this product can be brought under e-commerce portal and there are something, which is not even we have been doing online draw system for allotment of the petrol

bunks then also if the government has to sell it to the distributors for LPG cylinders that also comes under the e-commerce, so there are numerous opportunities in e-commerce and whatever can be sold will be or should be or is being brought under the e-commerce portal and many more are in the pipelines.

Kshitij Bhartiya: Thank you Sir. Just one follow up on the similar line, in our e-commerce model do you hold inventory or is there any receivables provision also for us like do we get the payment instantaneously or is there any working capital involved there plus is there any inventory that we have to hold?

Bhanu Kumar: Absolutely no inventory, what we are giving is just the platform services for which there can be some cost towards maintenance of servers and working capital requirement for lease line and other connectivity that is all, so from that in e-commerce we do not physically keep any inventory, MSTC does not have title on anyone and we do not pass it on also.

Bam Bahadur Singh: It can be understood in a very simpler term, we are not a stockholder of anything number one. Number two whatever volumes we were talking that much of value of merchandize pass through our portal, so there is no risk of holding the inventory, inventory carrying cost, those liabilities are not at all there, we are only earning the service charge from e-commerce, but yes as Madam has told that we have to support our servers and you have to lease line then also we have to obtain various government approvals, all those expenses are there and whatever new technologies are coming in say now block chain, so we are also looking at that and we have to aspire towards upgrading our technology for e-commerce.

Kshitij Bhartiya: Perfect Sir, what is the receivable days, what I mean to say once goods is traded through a platform how quickly do we receive the service charge from our client, is there any policy on that and what is that?

Bhanu Kumar: See, most of our clients are generally in the government sector, now we have in fact increased our footprints in the private sector also, so in most of the cases in the agreements we are earning our revenue from the sale value itself that is deduction at source, but there are certain works certain projects that we undertake for the Government of India where it is on billing basis like defence as well as government projects, so there it is on billing basis and the average receivable time is about 3 to 4 months.

Kshitij Bhartiya : Last two questions, one is again on the e-commerce side, we are now building up the e-commerce, we have got into various tie-up on that, so those tie-ups are on place, so do we have done any estimate that once we have entered into tie up with various government agencies six state tie-ups has been done, so any estimate like let us say in a year or two years what kind of service we are estimating from those things on a normal circumstances?

- Bhanu Kumar:** Under normal circumstances as we have been talking earlier in our roadshows also the year-on-year growth has been in the range of 10% to 15% in terms of revenue, but this year what we are witnessing is such a sluggish market that we are not able to even reach the level of last year's performance so I do not think it is fair for us to do any estimation for the near future.
- Kshitij Bhartiya:** Madam, wherever we are getting tie-up at least with state governments or government PACU are those tie-ups exclusive or this is like we are one of the vendors what I mean to say if they get into a tie-up with some state governments for certain products get into tie-up with us through our platform, are we the only platform or this simultaneously giving it to other platforms also?
- Bhanu Kumar:** Whatever agreements we are having majorly it is all exclusive, except for one or two, where coal auctions we are doing for Coal India, there, there is another player, but in private sector probably they are having parallel channels for sale, but apart from that mostly about 90% to 95% of our business is exclusive.
- Kshitij Bhartiya:** Madam last question, we have consciously bringing down our marketing revenues, so any thought on that like after some point we want to make it absolutely zero or like you have in your previous call discussed we have three type of marketing models out of which only one we want to discontinue absolutely and rest we want to continue, so a little bit details or thought on that site whether we want to make it absolutely zero or not?
- Bhanu Kumar:** Going forward last time we had said that we have three basic verticals in the trading segment, one we have already exited there has been no transaction in this year, the second vertical also has tapered down that is associate supply model where we were supplying coal to utilities and all domestic as well as imported coal that also has tapered down considerably, there are just some follow up orders that we are taking right now and as far as the third business model, which is very, very safe that is the bank guarantee some kind of procurement, there we are focusing and we will continue at least for some more time we are continuing because we found it absolutely safe and we will go forward in that area.
- Kshitij Bhartiya:** Thank you.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital Partners. Please go ahead.
- Deepak Poddar:** Good afternoon. Thank you very much madam for the opportunity. My first question is on your e-commerce business, so what is the quarterly expense that we must incur in our e-commerce business and how that expense would pan out?

- Bam Bahadur Singh:** Let me answer your question first, basically we do have that such a variable cost in the e-commerce segment, we have got a salary and we have got overhead, we have got approximate annual overhead on salary and overhead expense is around 100 Crores second to that quarterly is 25 Crores, so it is with this scale of operation we balance with this type of overheads.
- Deepak Poddar:** So, at 100 Crores revenue you will kind of breakeven at e-commerce.
- Bam Bahadur Singh:** Absolutely right.
- Deepak Poddar:** Even if you were to reach 400 Crores, 500 Crores kind of a revenue target, so your expenses would likely remain at this range or how should the inflation be in that?
- Subrata Sarkar:** Let us talk something we are now having this and that moving around with this scale operation 220 to 30, so up to say 300 and odd with this capacity we can go on, so beyond that this budget has to be revised and more or less it will not that be varying because we have to go for little bit of manpower and some more overhead like traveling, advertisement, and other administrative cost.
- Bam Bahadur Singh:** Just add to what our Director Finance has said in 2010 there were only 315 manpower as on today there are 356, but the volume of merchandize has gone up by 10 or 11 times, so the manpower environment if you are going to achieve that 500 figures the manpower requirement will not be so much, may be very incremental increase would be there. As far as our infrastructure is concerned, server, lease line and all that, that has got a spare capacity maybe we might have to add as per the customer requirement wherein server is dedicated server these days, customers are insisting that he should have a dedicated servers so that cost will be there, otherwise as far as lease line is concerned, we have got enough lease lines, that can take lot of this thing, so this is I think if you want to increase the revenue it should not be proportionately increase in the input cost.
- Deepak Poddar:** Even at the 300 kind of a revenue levels our cost may be around 100 Crores that you are mentioning?
- Bam Bahadur Singh:** Absolutely, it will hover around that only.
- Deepak Poddar:** I understood and then as you mentioned that e-commerce volume were down about 10%, can you quantify it from what level to what level it is down?
- Bhanu Kumar:** Already there in our presentation.
- Bam Bahadur Singh:** It is already there in our presentation e-commerce volume.

Deepak Poddar: That is 596 million to 498 million?

Bam Bahadur Singh: Yes.

Deepak Poddar: Fair enough and any kind of outlook you can give for what sort of revenues CAGR we are looking for in the e-commerce business over the next 3 to 4 years timeline, not immediate one year or so, but over the period what sort of CAGR we are looking at?

Bam Bahadur Singh: We have already opened up many areas. We have to grow in volumes, say if you talk about minerals, mega or minor that is auction of blocks so there will be increase in number, coal block already it is 42 coal blocks so as and when government decides to sell the coal block through auctions it will be coming to us only because we are the only player in this area, so there will be enough growth in this thing then I should talk about agri and horti we are already into this business and the volume only will grow, so all these verticals what we have already setup only the volume has to grow, business has to grow so even in software where we have the expertise in development of the ERP solution and all that, we have to only cash hold of principle to whom we can provide our services. So this depends on our efforts and mobilizing the resources at our disposal to bring more business and some business, which are coming to our fold is not even foreseen so we cannot at this point of time that what kind of business they are there and they will be coming to us, unheard and unforeseen business is also coming to us so that is the kind of business scenario we have.

Deepak Poddar: Understood.

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

Jeevan Patwa: Sir, I just wanted to understand this quarter your revenue from marketing is actually quite a bit down, so you are actually scaling down your revenue marketing department as you said earlier, but your receivables are still at the same level, so what is the reason for that?

Bam Bahadur Singh: I am just explaining you, our receivables are basically from the three segments, this is 110% BG segment, so in the standalone you can see that receivable is around 1500 Crores, so the breakup is like that it is from the 110% BG that is backed by, BG is around 650 and same proportionate is almost same amount in the associate model and some balance is 150 Crores is from old traditional model and balance is from the e-commerce. Although we have tapered down this marketing, but two segments we are still operating, we are operating that is the associate model in which the risk is on the associate supplier and the 110% BG where our receivable are that by secured financial instrument that is BG of the schedule and that is like that. So these two

segments are still running, so that is why the receivables are still there in our books, that is the reason that we are looking at the receivables in our book.

Moderator: Sir, the lines of the participant got disconnected, we will move into the next participant. The next question is from the line of Amit Kochar, an Individual Investor. Please go ahead.

Amit Kochar: Congratulations for the very good number of agreements we made.

Bam Bahadur Singh: Thank you very much.

Amit Kochar: As promised in the March concall, we have achieved I think what we had promised, just wanted to understand the revenue stream, which could generate from new agreements if at all we have made some kind of internal targets for ourselves?

Bhanu Kumar: New agreements, yes, I think we had very recently signed four new agreements, the first being with Larsen & Toubro, we have signed an agreement with factories and buildings department and going forward that will probably be enlarged to other divisions as well. So as on date the sale value of scrap that they have is about Rs 60 Crores to 70 Crores, so we will be charging about 2% of that, that is from that agreement. Regarding the portal that we have developed for the Indian Banking Association now that is something that we are not able to pinpoint or straightaway say this thing because it depends on the successes of sale of these NPAs and it is not a very easy assignment, so we are going a little cautions on that and as far as other PSU agreements are concerned one is with the Government of Chhattisgarh, there again it is a slow process because the scrap is not selling, the rates have fallen by about 25% to about 30% so we are not seeing any revenue coming in immediately, but going forward yes, definitely the volumes are there and Burn Standard is another agreement that we have signed very recently that again is about plant and machinery sale. So as I said, it is not the easy selling scrap as on date, the market is very, very sluggish, the rates are very down so probably after a repeated events we will be able to sell something, so whether we will be able to sell in the H2 and we are hoping our best and we hope we are able to translate all that into revenue.

Amit Kochar: Right and it is like dedicated e-auction platform, which we say, is it for Indian banking Association or especially for Allahabad Bank?

Bhanu Kumar: No, it is for Indian Banking association, the nodal bank is Allahabad Bank.

Amit Kochar: Right, will it be owned by us and we will charge the continuous revenue on the auction or is just the software developed by us and it will be sold to them?

- Bhanu Kumar:** This is actually a very unique model, the IBA already has the portal called IBAPI where they are using it for listing their NPAs and all, but for bidding purpose it has been integrated with our own MSTC e-commerce platform, so it is an integrated portal. So all the NPAs are listed in IBA automatically comes into our bid floor and anyone who wishes to buy NPS can just log in either through the IBA portal or through our portal and we will be able to bid and buy the property. It is kind of a very joint collaboration.
- Amit Kochar:** Madam, could you please guide about the dividend policy, which we are to apply in future?
- Bam Bahadur Singh:** You are talking about the dividend policy?
- Amit Kochar:** Right.
- Bam Bahadur Singh:** It is well spelt out because for a government company that guidelines are clearly spelt out that dividend has to be given, it is 30% of the PAT or 5% of the network, whichever is higher so it is already spelt out so that much of dividend we have to pay as per the government guidelines.
- Amit Kochar:** Sir, the last question about Standard Chartered Bank, which was made about dispute, which we had with Standard Chartered Bank about Rs 222.51 Crores recent some Supreme Court judgment even came, could you please throw some light on the same?
- Bam Bahadur Singh:** Everything has already been disclosed and whatever the latest development we have uploaded in the BSE platform as it is a sub judice, please excuse us for making a such comments on these, it is sub judice matter, so whatever is there it is in the public domain it has already been uploaded on BSE, please look at that in the latest development.
- Amit Kochar:** Is it yet contingent, is it like has it turned into liability now?
- Bam Bahadur Singh:** Everything whatever I am telling it is whatever disclosure has been made, it has been made in public domain. As it is sub judice, we are unable to comment on that.
- Amit Kochar:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Kshitij Bhartiya from Mount Intra Finance. Please go ahead.
- Kshitij Bhartiya:** Sir, just one follow up question since we have build up the platform for e-commerce, can you please highlight on what is our strength on the employee side and how much is technical expertise we have and what are the systems on that and second like previously you have mentioned we will be starting in the e-commerce platform itself we will be starting the logistic and the channel financing so is there any development as of now on that?

Bhanu Kumar: As far as e-commerce business is concerned, we have a very dedicated team of about 30 expert systems department executors who do the daily activity plus R&D and upgrade the technology on a very constant basis and yes, we did talk of logistics and channel financing, this is something that we are envisaging from our scrap portal and the e-sale portal where we are selling bulk raw materials. We are in the process of empanelling logistic service providers for this and the process is on, I cannot give a definite date as to when it will actually be done.

Bam Bahadur Singh: Our infrastructure in system department is that we have the most advanced technology of server it is IPv6 compliant and we have the lease lines, which is having the highest capacity so that there is uninterrupted e-auction going on. We have disaster recovery site at Mumbai, presently where we are sitting. We have all the necessary approval from the Government of India say STQC Standard Testing Quality Certification, and then we are compliant with the ICI 2000 and then its subsequent amendment and then we have a RightWorks media, which makes our system very, very transparent, it is nobody can know ensued into the system, one the RightWorks media is there and we are now migrating towards Blockchain Technology, which is coming, so we want to have all the latest technology in the sector to make our system efficacy, user friendly, transparent, that is our strength of e-commerce. Thank you.

Kshitij Bhartiya: Thank you. That is all from my side.

Moderator: Thank you very much. The next question is from the line of Govind Saboo from IndiaNivesh Ltd. Please go ahead.

Govind Saboo: Good afternoon, Sir. Couple of questions, just to understand the marketing business, the associate sale, the sale and purchase is booked in our P&L or is it a kind of indenting model and only debtors and creditor are booked in our books?

Bam Bahadur Singh: No, in case of associate model, both debtors and creditors are booked and the turnover is also there in our books of accounts, we purchase both books, the creditors are in the sale, debtors is the purchase.

Govind Saboo: In case of BG model, the same thing?

Bam Bahadur Singh: Only the commission part is there.

Govind Saboo: Only commission in BG model, okay got it Sir. Only commission is booked as revenue?

Bam Bahadur Singh: Yes.

Govind Saboo: But debtors and creditors appear in?

- Bam Bahadur Singh:** Yes, absolutely fine.
- Govind Saboo:** Got it, my second question is regarding the private business, so in our e-commerce business of 45 Crores this quarter, how much is from private business and how much is from government business?
- Bhanu Kumar:** As an approximation about 90% is from the government business and the rest should be, but we have not exactly identified and we do not have the exact figures, this is just as a thumb rule I am telling you.
- Govind Saboo:** Approximation is fine, because since last two years we are following this kind of revenue share in our e-commerce business?
- Bam Bahadur Singh:** In this private sector actually we have started giving more focus for the last year, so this area for us it is almost untagged, so this will increase in the near future.
- Govind Saboo:** But, our e-procurement share currently is very small, it is just 5%?
- Bam Bahadur Singh:** Yes.
- Bhanu Kumar:** Revenue wise it is very small, volume wise it is very huge.
- Govind Saboo:** Volume wise it would be very huge. Madam, my last question would be regarding, so basically due to reduction in scrap prices, the scrap sale is delayed in this quarter that is why our e-commerce revenue have reduced, this is the major reason, so for my understanding can you please clarify that this is just deferment of sale, or this is loss of sale?
- Bhanu Kumar:** Deferment of sale.
- Govind Saboo:** So it has to be sold in H2?
- Bhanu Kumar:** We are hopeful that we will be able to sell within this financial year.
- Govind Saboo:** Got it.
- Bam Bahadur Singh:** There is a regular generation of scrap that will continue to happen and whatever inventory is there that also will get added to that, so sooner or later when the market improves then it have got to be booked.

- Govind Saboo:** Got it and lastly Sir, in Q1 earnings call you had given a growth guidance for e-commerce business as 15%, but in H1 it is down by 10%, so should we hold this guidance because that will require a lot of catch up in H2 or are we lowering from guidance or something?
- Bam Bahadur Singh:** There are many factors. As madam has told that the steel sector there is a prolonged slowdown so scrap value is diminishing, it has to come down from say Rs.26 per kg to Rs.16 to 18 and there has been election year, lot many embargo was there then there was natural calamity and lot of water rise and all that, it is not going to happen in the next H2 things will improve.
- Govind Saboo:** Sir, this revenue from our commission from scrap it is booked in others when we look at the e-commerce breakup or is it in e-sale?
- Bam Bahadur Singh:** E-sale only.
- Govind Saboo:** So, e-commerce we have three breakup e-auction?
- Bhanu Kumar:** It is actually coming under e-auction.
- Govind Saboo:** The scrap is combined with that. Thank you, that is all from my side.
- Moderator:** Thank you very much. The next question is from the line of Deepan Kapadia from Equirus Securities. Please go ahead.
- Deepan Kapadia:** Sir, with the scrappage policy could you explain the economics of scrap yard that we are building with Mahindra & Mahindra?
- Bam Bahadur Singh:** Yes, the scrappage policy for end of, as I said there are two scrappage policies, which are on the anvil, one is the steel and scrap policy, which has been announced by our Home Ministry, Minister of State that has been announced, but the scrappage policy for end of vehicles and white boards, it is already the draft is uploaded on the site of Ministry of Road Transport and Highways maybe another two to three months down the line the scrappage policy will be announced. Once this scrappage policy is announced and what kind of incentive government is going to give will decide the future course of action, but definitely without incentive this sector will not take off. So we hope that for any kind of incentives are given then that will give a lot of opportunity for our C&D centers and upcoming shredding plant per se. We have already setup one, which is operational at Noida and another one is likely to happen in a month or two at Chennai. Response of Chennai is good, we have been receiving the vehicles and all and two more will be coming, which are planned this fiscal, but many more will be coming once the scrappage policy is announced and if it is very attractive that will decide the course.
- Deepan Kapadia:** What will be capex to set up the center?

Bam Bahadur Singh: Already that we have contributed of that equity contribution 18.3 Crores, similar contribution from Mahindra part also, total equity has now come down to 37 Crores plus. With this fund and all these things with the Noida plant has already been established and Chennai the equipments are already there, so further capex is not in with us in this quarter, in this particular quarter. This will be the feeder unit for shredding plants. Shredding plant per se has not come up in India and it will be coming up, will be setup by us as soon as the scrappage policy of the vehicle is announced, but the capex in the shredding plant will be lot more, it could be anywhere around 70 Crores per shredding plant of moderate capacity.

Deepan Kapadia: Thank you, Sir.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint that was the last question for today. I will now hand the conference over to the management for closing comments.

Bam Bahadur Singh: Thank you very much for the questions and we hope that we will keep on concentrating as promised on this e-commerce segment and looking for a future growth riding on this particular segment. Thank you very much from MSTC management.

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