

MSTC LTD : Average Issue IPO Note : A Miniratna PSU : Ranking**



Issue details

Price band (Rs)	Rs.121-128
IPO Opening Date	13/03/19
IPO Closing Date	15/03/19
Issue Size	Rs. 226 Cr.

Recommendation

The company has (on consolidated basis) posted negative EPS for two fiscals in last three fiscal. For FY 2016 it posted net loss of Rs.247.10 crore on a turnover of Rs.3307 crore. In FY2017, it posted net profit of Rs.139.15 crore on turnover of Rs.1876.20. Again it posted loss of Rs.15.88 crore in six month ended September 2018. There is no comparable listed peer company in this segment. The issue pricing is greedy. Its current paid up equity capital of Rs.70.40 crore will be the remain same post IPO. Rs. 5.50 discount to retail investors is the only attraction of this issue. The company has paid good dividends. The Issue looks expensive and risky. In future if the company generates profit, one can look to invest.

Highlights

- One of the leading PSU entities engaged in providing e-commerce services to customers in a most transparent, fair and secured manner
- Ability to create a virtual marketplace for any physical commercial activity thereby creating value for all the stakeholders
- First mover advantage on account of domain expertise in providing e-commerce services thereby helping to boost business
- Robust, advanced and scalable technology platform
- Experienced management team and qualified workforce.

Company Introduction

Incorporated in 1964 as a trading company to deal in the export of scrap, later it has grown into a large diversified, multi-product services and trading Company. It was a canalising agency for import of ferrous scrap until 1992. After de-canalisation the Company has established itself as one of the leading e-commerce service providers in the country and also is one of the major player in trading of bulk raw material. It has also entered into the recycling business through a 50:50 joint venture with MIL for setting up a shredding plant and collection centres across the country. In a synopsis, it can be stated that there are three main business verticals in the Company which are namely, (i) E-commerce, (ii) Trading, and (iii) Recycling through MMRPL.



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IPO Issue Proceed

Financial Summary (Rs. In Crore)

Particulars	Six month ended Sep. 2019	FY2018	FY2017	FY2016
Total Income	1491.55	2793.15	1876.2	3307.8
Net Profit	-15.88	-6.48	139.15	-247.1
EPS (Rs)	-	-	19.76	-

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

DISCLAIMER

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Company Promoters:

The Promoter of the company is the President of India. The Promoter currently holds 89.85% of the pre-offer paid-up Equity Share Capital of the Company.

The object of the issue

- To carry out the disinvestment of 17,670,400 Equity Shares by the Selling Shareholder in our Company constituting 25.10% of our Company's pre-Offer paid up Equity Share capital; and
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

For listing gains and diluting stake of Govt. of India, MSTC is coming out with a maiden IPO of 2.52 crore shares of Rs.10 each by way of offer for sale via book building route with a price band of Rs. 180 - Rs. 185 to mobilize Rs. 213.81 cr. to Rs. 226.18 cr. (based on lower and upper price bands). Issue opens for subscription on 13.03.19 and will close on 15.03.19. It has reserved 7.04 lakh equity shares for eligible employees. Thus net public offer will be 1.76 crore equity shares with allocation of 75% to QIBs, 15 % for HNIs and 10% for retail investors. Minimum application is to be made for 90 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. These beings offer for sale, it's paid up equity remains same at Rs. 70.40 crore post issue.