



MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2016-17

Overview of Global Trade and Developments

The global economy continues to face subdued growth owing to low commodity prices and low inflation rates, stagnant growth in advanced economies, and geopolitical and political uncertainties. The International Monetary Fund (IMF) projects global economic growth to be 3.4 per cent in 2017.

Overview of developments in India during 2016-17

In the backdrop of global slowdown and lower world demand, India witnessed steady growth momentum in comparison to other developing economies.

The implementation of Goods and Services Tax (GST) is expected to improve tax compliance and governance, and will provide an impetus to the investments and growth in the country. Due to favourable indicators such as moderate levels of inflation, reduced Current Account Deficit (CAD), fiscal consolidation and positive impact of demonetization, the country is currently characterized as a stable macro-economic situation, the Government expects India's GDP to expand at a growth rate between 6.75-7.5 percent during 2017-18. Moreover, the nation's economy is moving ahead at a speedy pace with the launch of the Government's schemes of 'Make in India', 'Digitalisation' 'Start-up India', 'Skill India', 'Swachh Bharat Mission' 'Ujjwala Yojana', 'Deen Dayal Upadhyaya Gram Jyoti Yojana' etc which shall further strengthen the national economy.

According to The World Bank, the Indian economy is likely to grow at 7 per cent in 2016-17, followed by further acceleration to 7.6 per cent in 2017-18 and 7.8 per cent in 2018-19. Demonetization has a positive impact on the Indian economy, which will help foster a clean and digitized economy in the long run.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

Outlook for 2017-18

The IMF update for January 2017 predicts likely pickup in economic activities in 2017 and 2018 after a lackluster outturn in 2016, especially in emerging markets and developing economies. As per UN in its World Economic Situation and Prospect (WESP) report, India's economy is slowly gaining momentum with an expected GDP growth of 7.3 and 7.5 percent in 2016 and 2017 respectively. India's competitiveness has improved across the board, in particular in goods market efficiency, business sophistication and innovation. Global growth for 2017 and 2018 is projected at 3.4 per cent and 3.6 per cent respectively.

MMTC- 2016-17 in retrospect

Financial Review

In the backdrop of above international business scenario, Your Company achieved a trade turnover of ₹1,15,934.3 million during 2016-17 as against the turnover of ₹1,24,604.7 million registered last fiscal. This turnover includes Exports of ₹15801.4 million, Imports of ₹ 84802.6 million and domestic trade of ₹15330.3 million. The decline in trade performance is due to various factors like fall in average price of urea, non-import of steam coal for Government Power Plants due to increased domestic supplies by Coal India, continuing ban on iron ore mining and the resultant lower exports etc. Your Company earned a trading profit

of Rs.2244.5 million as compared to ₹1965.1 million in 2015-16. The profit before tax from ordinary activities is ₹812.3 million as compared to ₹579.1 million in 2015-16. The Company has registered a net Profit of ₹570.6 million during the year as compared to ₹548.9 million earned last year. Thus the earnings per share of face value of ₹1/- each is ₹ 0.57 as on 31.3.2017. Besides, MMTC continues to be a zero long-term debt company.

Source and Utilization of Funds

The source of funds of the company as on 31st March, 2017 comprises of shareholders fund amounting to ₹14340.77 million including equity share capital of ₹1000 million and non-current and current liabilities of ₹1876.96 million and ₹ 44565.17 million respectively. These funds have been deployed inter alia towards non-current assets amounting to ₹9920.79 million and current assets of ₹50862.11 million as on 31st March, 2017.

Internal Control Procedures

In MMTC, day-to-day affairs are managed at various managerial levels in accordance with a well-defined "Delegation of Powers". Major issues are deliberated to arrive at conscious decisions by the respective Committees of Directors constituted by the Board of Directors as detailed in the report on Corporate Governance annexed herewith.

MMTC has well-settled Internal Audit System & Procedures which is commensurate with its diverse functions. The company has an Internal Audit Division, to coordinate with external auditing firms in conducting internal audit all through the year. Number of initiatives started during the last fiscal for strengthening the internal controls through concurrent audit of bullion transactions, special audit for bullion transactions for earlier years, etc. continued during the year also. Towards this, a well defined Internal Audit Manual, Corporate Risk Management Policy and

Business-cum-Internal Control Manual for various trades of MMTC approved by the Board of Directors have been put in place to take care of internal control mechanisms, risk assessment on the business proposals and systematic SOP for undertaking various trades.

The Audit Committee of Directors meets the Company's Statutory Auditors and Internal Auditors regularly to ascertain their concerns and observations on financial reports. The directions of the Audit Committee are strictly implemented by the Management.

Subsidiary Company

The wholly owned subsidiary of your Company - MMTC Transnational Pte. Ltd. Singapore (MTPL) incorporated in October 1994 with the objective to take advantage of liberalization/globalization of trade and commerce to tap South East Asian market for trading in commodities has been engaged in commodity trading and has established itself as a credible and reputable trading outfit in Singapore. During the financial year 2016-17 MTPL achieved sales turnover of USD 113.17 million as against US\$108.52 million during last fiscal. The Net Profit earned by MTPL during the financial year 2016-17 amounted to US\$ 0.04 million as against loss of US\$0.28 million incurred in 2015-16. The net worth of MTPL stood at US\$ 15.39 million as on 31st March 2017.

MTPL enjoyed prestigious "Global Trader Programme" (GTP) status awarded to it by International Enterprise, Singapore, an arm of the Govt. of Singapore from the year 2000 to 2013.

Business Group wise Review for 2016-17

Minerals

The Minerals group of your Company play a leading role in mineral trade for a period spanning over five decades. In



the last decade, MMTC could withstand the stiff competition in the global market by consolidating the mineral portfolio, dynamic and prudent strategies to insulate against the market vagaries, expanding extensively its infrastructure facilities and by attaching utmost care and importance to its trade commitments as also the quality of service and products.

The group has been consistently striving to enhance its competitiveness in the area of value addition. MMTC has provided further fillip to value addition of minerals. MMTC's co-promoted 1.1 million tpa Neelachal Ispat Nigam Ltd. (NINL) consumes annually over 2.2 million tons of various types of minerals on annual basis arranged mainly by MMTC.

During 2016-17 the Minerals Group of your Company achieved a turnover of ₹12873 million, which includes exports of Iron Ore valuing ₹9228.60 million, Chrome Ore, Chrome Concentrate approx. ₹3499.40 million. As per current EXIM Policy iron ore (Fe content 64% & above), Chrome Ore & Concentrate and Manganese ore are allowed for export through MMTC. The group has also achieved a turnover of ₹145.65 million by domestic trading of Minerals & Ore which comprises of limestone valued at ₹54.50 million and other minerals valued at ₹91.15 million.

Continuation of restrictions on Iron ore mining and its ban on movement for exports from Bellary-Hospet Sector, regulation of exports from Eastern Sector, uncompetitive FOB sale prices of Indian origin ore vis-à-vis other international suppliers i.e. Australia and Brazil (on account of export duty), subdued iron ore demand/prices in the international/spot market, high iron ore inventory with Chinese steel mills, general slowdown of Chinese economy, relative prices increase in domestic demand of ore, etc. continued to have impact on the iron ore exports during 2016-17. Despite this and the stiff competition, MMTC continued to maintain its position as a prominent exporter of minerals during the year under review. MMTC has established itself as a reliable supplier of iron ore to Japanese & South Korean markets over many decades and this portfolio will continue to bring steady business for your Company. Reimposition of 30% ad valorem export duty on chrome ore/Chrome Concentrate from 26.05.2016 has resulted in limited export of Chrome ore/Chrome Concentrate from India. Moreover, increase in steel production/consumption in India would result in further demand of iron ore, Chrome ore and Manganese ore from domestic industry and may affect the availability of these products for export in future. Export of more ferro-chrome may adversely affect availability of chrome ore and also concentrates for export.

Precious Metals, Gems & Jewellery

The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 6% to 7% of the country's GDP. It is one of the fastest growing sectors and



is extremely export oriented and labour intensive.

Your Company enjoys the position of one of the market leaders in the Indian bullion trade, having flexibility to operate from various centers spread all over the country offering novel product services, besides maintaining enduring relationship.

Despite high volatility in prices of bullion as well as Indian Rupee - US Dollar exchange rates, Precious Metals Group of your Company contributed a gross turnover of ₹60391.40 million contributing to approx. 50 percent of the total turnover achieved by the company. The turnover of this group includes import of gold and silver worth ₹48743.60 million, domestic trade of ₹11,646.10 million and export of gold medallions worth ₹1.50 million. Your Company's share stands at 2% for Gold and 10% for silver in the country's bullion trade for 2016-17. MMTC is one of the nominated agencies for import of Bullion for supply to exporters as well as domestic traders/jewelers which is the basic raw material for Gems & Jewellery Industry of India. Being a nominated Body, MMTC plays a vital role in association with Govt. of India in Policy formulation to support Gems & Jewellery exports from India and development of Jewellery sector on Pan-India basis. Government has always been supportive since inception way back in 1980s when the Jhandewalan jewellery Complex was approved by the Ministry of Commerce and MMTC being nominated as Agency for supply of gold to DTA w.e.f. September 1992.

Govt. of India also launched Gold Monetization Scheme in 2015 for which MMTC has been assigned two important projects for implementation, namely, sale of Indian Gold Coins and e-Auction of medium and long term gold deposits of Govt. of India, promoting the circulation of domestic gold into the economy thereby reducing the Bullion imports saving valuable foreign exchange.

The Precious Metals Group of your Company marketed the Indian Gold Coins (IGC) unveiled by the Hon'ble Prime Minister of India in 5 gm, 10 gms and bars of 20 gms minted at India Govt. Mint Mumbai and Kolkata. Total turnover of IGC sales achieved during 2016-17 is ₹1291 million. Your Company tied up with banks to sell Indian Gold Coin. Efforts are on to further expand distribution network for sale of Indian Gold Coin.

The flagship event of MMTC Limited “Festival of Gold” was held. The turnover achieved during the Festival of Gold (FOG) “Akshay Tritiya and DIWALI”, 2016 was ₹68 million and ₹210 million respectively.

Your company has been supplying Gold/Silver Medallions to various Corporates apart from effecting showroom sales. During the year your company also refined Gold/Silver offerings and supplied medallions / bars to Shri Mata Vaishno Devi and Mata Mansa Devi Shrine Boards. Further, we have also fabricated and supplied Silver Commemorative Medallions, the replica of Sikh Sovereign Coin on the occasion of 300th Year of martyrdom of Baba Banda Singh Bahadur and also on the occasion of 350th Birth Anniversary of Shri Guru Gobind Singhji.

The Company’s joint venture MMTC-PAMP India Pvt. Ltd. achieved a turnover of ₹243901.61 million and a profit (after tax) of ₹149.29 million. During the fiscal MMTC has sold 2.87 MTs of Gold Bars produced by MPIPL in the domestic market achieving a turnover of ₹7922.2 million. Another Joint Venture for retail trade in jewellery i.e. MMTC Gitanjali Limited has reported a turnover of ₹266.24 million for the year 2016-17 as against turnover of ₹283.24 million during 2015-16.

With increasing competition among the gold traders, there is a continuous decrease in the profit margin being experienced in the trade. The Goods & Service Tax(GST) will hopefully change the shape of the industry.

Demand for Gold is expected to remain firm for this year on account of strong demand owing to traditional importance of the metal in India which is very difficult to alter. By the end of 2016, silver was the second-best asset in the precious-metals space, up 16.5% since the start of the year and only behind palladium. Outlook for silver in 2017 is an upward trend in prices due to expectations on solid fundamentals, as mine supply is likely to contract while industrial and jewellery demand is like to increase.

The Precious Metals Group of your Company shall be making efforts to bring back big customers in various metro and non-metro cities through constant customer engagement. On account of jewellers’ strike in the first half of the year, the DTA Gold operations were strengthened. MMTC set up a unit in SEZ at SEEPZ Mumbai and is making efforts to set up a unit in the SEZ at Sitapura Jaipur which would further boost DTA operations. Although India’s silver imports declined as compared to last year, MMTC’s market share increased to 10% as compared to 8% last year. Strategies for the current year include maximizing DTA operations, simplified procedures for importing bullion through FTWZ, enrolment of new foreign suppliers to have better supplier base to be more competitive and have adequate quantity to supply, conduct successful rollout of the e-auction of bullion bars under the GMS scheme, etc. The group shall be exploring new avenues of business like the Dore import

business for which government departments are being pursued vigorously, auctioning of gold/silver confiscated by customs and that available with prominent temple trusts.

Metals and Industrial Raw Materials

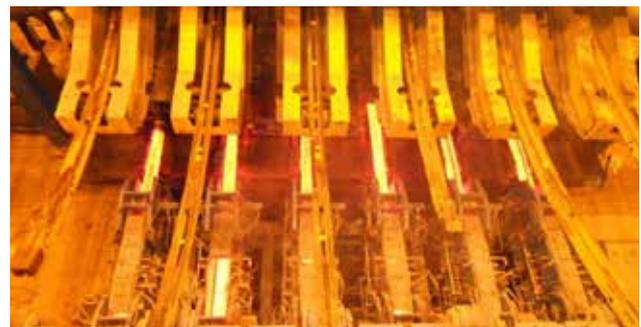
During 2016-17 the metals group of your Company has achieved a turnover of ₹6928.10 million which includes export of Pig Iron worth ₹2415.80 million, import of Non Ferrous Metals like Zinc, Nickel, Cobalt and Tin worth ₹2733.40 million, import of Industrial Raw Material viz. Antimony metal worth ₹42.80 million and Domestic Trade in Steel products like pig iron, slag, billets etc worth ₹1736.10 million. The Pig Iron is produced by MMTC’s joint venture with Govt. of Odisha, M/s. Neelachal Ispat Nigam Limited.

MMTC’s strength lies in that its supplier base comprised of reputable international suppliers of all base and minor metals and linkages with major PSUs, Railways and Ordnance Factories to ensure steady stream of business. However, non-standardized and custom specified material are not available with empanelled suppliers. Procurement of imported NFM takes a minimum of 3-4 weeks’ time which becomes a bottleneck for serving the industry locally.

The opportunities in NFM trade are expansion in minor metals and Ferro Alloys markets, sale of unpriced base Non Ferrous Metals or ex-Bond, SEZ or ex-FTWZ basis and expansion of supply base for import of NFM. The threats include increase in domestic production of secondary and recycled metals from indigenous and imported scrap and increase in domestic manufacture of base metals like Copper, Aluminium, Lead and Zinc creating an alternative supply source.

Possibility of sale of Non Ferrous Metals through FTWZ will be explored by the NFM Group of your company. The possibility of tying up for long-term/annual supplies with producers and major overseas traders may also be explored to enable MMTC to offer better commercial terms and competitive edge over other traders in the market.

In the Steel segment during 2016-17, the group has sold Non-Alloy Pig Iron with value of approx. Rs.2415.8 million in international market apart from sale in the domestic market. The group will be eyeing import financing opportunities-mapping with our product portfolio and business model &



Policies, HMS & Shredded scrap import through Kandla, Mundra & Chennai Port. It has empanelled around 10 foreign suppliers for supply of HMS & Shredded Scraps. The group shall be exploring possibility of export of Pig Iron & Billets to Bangladeshi/Nepali markets.

Agro Products

The Agro group of your Company achieved a turnover of ₹2089.60 million during FY 2016-17 which include import of pulses worth ₹1057.60 million, and domestic trade of pulses worth ₹1032 million. The group has imported pulses on Government Account to contain the price fluctuation in the open market.

MMTC has been in agri trade business for almost two and half decades, beginning with the then sunrise segment of Soyabean processing for export of soya DOC and sale of Crude Soya Oil in the domestic market. Opportunities for export/import of grains like Rice, Wheat and Sugar also were available either on Government account or on commercial basis. Under the Price Stabilization, MMTC has played a pioneering role for import of pulses. For building buffer stock of pulses, MMTC has been designated as one of the agencies for import of pulses by Government of India. As per directions of Govt. of India, during FY 2016-17, MMTC has imported approx 3.4888 lakh MT of various pulses like toor, urad, masur and chana for the buffer stock programme. These pulses are being stored at various port godowns and are being released to State Government Agencies and open market as per the advice of Department of Consumer Affairs, Govt. of India.

Depending upon the domestic production, opportunities either for export or for import emerges. Very high volatility in some of the agro commodities is on the basis of price trend in international commodity market, and currency rate fluctuations pose a threat to agri business apart from natural vagaries like draught/monsoon etc.

Globally, there has been slow down in all commodities markets right from crude oil, steel, agri commodities, edible oils, etc. Slow down of economic growth in China, EU and other countries have adversely affected the commodities markets. The group is no exception to this development.

Outlook for 2017-18 for agri commodities except pulses are



not very encouraging considering the fact that international market for agri commodities are yet to recover and major commodities like wheat, rice, edible oil, etc are also yet to recover from the bearish sentiments. Initiatives have been taken and efforts are going on to export Indian Rice to Indonesia and Egypt on Govt. to Govt. arrangements. MMTC is the Government nodal agency for import of pulses under the price stabilization scheme.

Fertilizers and Chemicals

MMTC Limited is one of the major importers of fertilizers in India. It is engaged in the import of finished, intermediate and raw fertilizers. MMTC handles about 3 to 4 million tonnes of fertilizers. It continues to remain a trusted and reliable supplier of fertilizers to many institutional customers in India. This has been possible owing to a reputation of trust and reliability assiduously built by the company over four decades.

MMTC has built a niche for itself and has been extending the benefit of its four decades of experience in buying, selling and excellent net-working, which has been continuously adding value in the supply chain. As a result, MMTC remains the single unique window for buying and selling of all fertilizer products globally.

The Fertilizer group of your Company imports urea on behalf of Department of Fertilizers, Ministry of Chemicals and Fertilizers. During FY 2016-17, the Fertilizer and Chemicals group of your Company has contributed a turnover of ₹26734.10 million during the financial year 2016-17. It included import on behalf of Government of India of about 1.63 million tonnes of urea valued at about ₹23913 million, and import of non-canalized fertilizer like Phosphoric acid, Powdered Mono Ammonium Phosphate(PMAP), Sulphur, MOP and Urea worth ₹2608.30 million, domestic trade of fertilizers worth ₹1.80 million. Around 10000 MT of Urea was exported to Nepal valuing ₹211 million. Urea is one of the major fertilizers to meet nitrogen nutrient requirement of the soil.

Powdered Mono Ammonium Phosphate (PMAP) is a new product added to the product range of the Group, which contributed a turnover of ₹241.70 million during the period under review.

Fertilizer industry in India has been passing through tough phase in recent years. The year under review was a difficult



period for the fertilizer industry in general in India due to the rainfall turned marginally below the normal which directly impacts the quantum of chemical fertilizers used in agriculture. Further, disparity in the import price of various fertilizers caused the demand destruction which ultimately affects the business of MMTC.

As regards import of Urea on Government account, the total imports of India have come down which also impacted the overall business volumes of MMTC. Urea imports have come down as domestic production has increased which substantially bridged the gap between production and consumption.

The outlook for 2017-18 for India will depend on the monsoon and the Government policy. The global economy continues to face challenges. With food inflation being felt by countries across the globe including India, the focus especially for the developing nations would be on increasing productivity in agriculture. However, the global supply position of all the major fertilizers is expected to remain comfortable with new addition in capacities mainly in Urea, DAP and MOP.

Efforts are continuously being made to increase the volume of business in the existing product line and aggressively exploring new fertilizer products for trading. The action plan for achieving targets for 2017-18 includes import of MOP by retaining the existing customers and adding new customers, import of required quantities of Urea by Department of Fertilizers in 2017-18 and focus on Phosphates raw materials intermediates and finished fertilizers.

Coal and Hydrocarbons

India's Imports of non-coking coal has peaked to around 170 million MT during 2014-15, however, thereafter imports of non-coking coal has witnessed decline owing to improved domestic supplies. Power Utilities, the major consumers of non-coking coal have drastically reduced consumption of imported coal in view of the increase in domestic production & dispatch from pit head to power plant.

However, the plants located at coastal regions or thermal plants whose boilers are designed for imported coal would continue to import. In view of the increase in domestic production & improved supplies, imports may witness stagnation.

MMTC is very successful in organizing supplies of Coking coal, non-coking (steam) coal, low ash metallurgical coke, Naphtha etc. Currently there is big gap between demand and supplies of coking coal in the domestic market, which is likely to widen further. MMTC imported coking coke on a regular basis for its JV Company - Neelachal Ispat Nigam Limited, Duburi, Orissa.

This Group of your Company has achieved a turnover of ₹6395.10 million which included imports worth ₹5703.80 million and domestic trade of hydrocarbons worth ₹691.30



million. It included imports of Hard Coking Coal worth ₹5703.80 million. Due to lackluster demand for imported coal by power Utilities and supplier's indifference to back-up MMTC in open tenders; it has resulted in nil contracts and no supply of imported coal through MMTC in FY 2016-17 has taken place.

MMTC has till now mainly focused on catering requirement of Govt. Power Utilities, however, MMTC is envisaging good opportunity in supplying imported steam coal to cement, sponge iron units and captive power plants in India so as to generate more business. MMTC may also target neighboring countries for export of coal to prospective buyers in these countries.

MICA

As reported in earlier years, the changed market requirements and technological developments in Mica processing technologies globally led to activities at Mica Division coming to a halt since 2002-03. Efforts are being taken to utilise the land located at Abrakhnagar, Koderma District in consultation with M/s. MECON.

Others

The General Trade Group of your company finalized export of Red Sanders based on the allocation received from Directorate of Revenue Intelligence, valuing ₹445.10 million during the year 2016-17. The exports were effected from Chennai, Tuticorin and Mumbai ports. This is the first time that MMTC has exported this sensitive product. Sale of Wind Power generated from the Wind Farm at Gajendragad earned ₹77.40 million.

Cautionary Statement

Statements in the Management Discussions and Analysis describing the Company's projections, estimates, and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations/policies, tax laws, other statutes and other incidental factors.