

Antony Waste Handling Cell Limited

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Date: November 16, 2022

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No.C-1, Block G, Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051
Dear Sir/Madam,

Sub. : Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") – Transcript of Earnings call held on November 10, 2022

Ref. : SYMBOL – AWHCL

Pursuant to Regulation 30 of the SEBI Listing Regulations and in continuation to our letters having reference number AW/SEC/NSE/2022-23/75 dated November 05, 2022 - regarding intimation of Earnings Call and AW/SEC/NSE/2022-23/80 dated November 10, 2022 regarding uploading of Audio Recording of Earnings Call, please find enclosed the transcript of the discussion held during the said Earnings Call held on November 10, 2022 at 2.00 p.m. w.r.t discussion on the Operational and financial performance for Q2 & H1 FY23 of the Company.

The transcript is also hosted on the Company's website i.e. at www.antony-waste.com.

This is for your information and records please.

Thanking You,

Yours faithfully,
For and on behalf of
ANTONY WASTE HANDLING CELL LIMITED

HARSHADA RANE
COMPANY SECRETARY & COMPLIANCE OFFICER
A34268

Encl: a/a



“Antony Waste Handling Cell Limited Q2 FY2023 Earnings Conference Call”

November 10, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th November 2022 will prevail.



**MANAGEMENT: MR. JOSE JACOB – CHAIRMAN & MANAGING
DIRECTOR – ANTONY WASTE HANDLING CELL
LIMITED
MR. SHIJU JACOB – EXECUTIVE DIRECTOR – ANTONY
WASTE HANDLING CELL LIMITED
MR. N. G. SUBRAMANIAN – GROUP CHIEF FINANCIAL
OFFICER – ANTONY WASTE HANDLING CELL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Antony Waste Handling Cell Limited Q2 FY2023 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jose Jacob, Chairman and Managing Director of Antony Waste Handling Cell Limited. Thank you and over to you Sir!

Jose Jacob: Good afternoon and a very warm welcome to everyone present on the call. Along with me I have Mr. Shiju Jacob, Executive Director and Mr. N. G. Subramanian, Group CFO and SGA our investor relation advisors. I hope you and your family all have a good festive season. Our investor presentation is now available on the stock exchange and the company website. First I would like to provide some business updates. Our solid waste business has been strong for the first six months of the year, we recorded a 16% growth in operating revenue of Rs.316 Crores due to a strong consumer economy, commercial collection, MSW landfill volume and inflation aided price increase. Activities at our recently bagged sites have shown rapid growth and are ramping up at a good pace. We have executed our projects well and are in line with our expectations. During the quarter we have kick started our recycling business in one of the sites from where we collect MSW. This is not our contractual requirement but in line with organization’s aim of sustainability and working in the forefront of creating a circular economy. In this we will segregate the recyclables from the waste collected before sending the same across to the designated landfill site. This will help us generate revenue from the recyclables that we would segregate in this process. This is our first project and based on the satisfactory performance confirmed by approximate 62 tonnes being recycled in two months. We now plan to implement similar activities in all cities where the company has C&T operations. For operational review and to add on recent news, I hand over the call to Mr. Shiju Jacob. Shiju Jacob over to you!

Shiju Jacob: Thank you Jose and I would like to again welcome you all to this call. To begin with your company has secured a three year mechanical power sweeping contract in Nagpur as part of cluster-focused business strategy. The contract calls for supply of one power sweeping machine and daily maintenance of 40 kilometers of road. We already have a C&T business in the City of Nagpur so bagging additional project helps us leverage on our existing setup and exploit our product lineup. This follows the recently bagged five year C&T contract for two zones in Nashik namely at Panchvati and Satpur. We have completed the entire vehicle mobilization and the project will begin contributing to our revenues in Q3 FY2023. Every day we estimate that we will handle approximately 240 tonnes of municipal solid waste from this project. On the processing side despite the monsoon conditions we saw a high level of bio-mining activity at our

Kanjurmarg integrated waste processing site during the quarter. We managed to sell a record quantity of compost during the quarter and we also shipped 10734 tonnes of RDF. This is the direction the company intends to take throughout the year and into the future.

Onto a more granular business wide performance at the MSW C&T project side: we have 13 ongoing projects. Our MSW C&T business volumes increased by 8.12% year-on-year to 0.42 million tonnes in Q2 FY2023. Coming to MSW processing projects: the total tonnage processed during the quarter increased by 8.3% year-on-year to 0.62 million tonnes at our MSW processing projects which included Kanjurmarg, Pimpri Chinchwad, and Greater Noida bio-mining project. Regarding our construction at Pimpri Chinchwad site we now anticipate that the project will begin in Q1 FY24 which was earlier planned to start on March 2023. The reason for these two months delay is due to the global semiconductor shortage which has impacted the delivery of distributed control system, control valve and transmitters. Corporations are in the process of coming out with more C&T and processing contracts we will leverage our experience of bio-mining and waste to energy and on our C&T business line to bid for these contracts.

To sum we have had a good quarter and we expect to continue our growth path in the coming time. We remain committed to advancing technology investments that differentiate us, automatic processes to reduce service cost and capitalizing on our sustainability platform for growth. The company is well poised to explore newer geographies while dwelling upon cluster-based approach and areas of recycling which is the need of the hour for the country. This is from my side. I now hand over the conference to Mr. Subramanian, the group CFO.

N. G. Subramanian:

Good afternoon and thank you for joining us for our Q2 and the first half 2023 earnings conference call. I will share the highlights of the financial performance. For Q2 for the year ending March 2023 the operating revenue at C&T and processing revenue section the company reported operating revenue of Rs.160 Crores against Rs.143 Crores in Q2 FY2022 which is up by 12% year-on-year. For the first half the company reported an operating revenue of Rs.317 Crores as against Rs.273 Crores last year same period reporting 16% growth on the year-on-year basis. The increase in core revenue was driven by contribution from newly bid contracts, general increase in volumes in existing C&T and processing contracts and also partially from the tipping fee increases which are built-in, in the contracts. On a sequential basis given the full onset of monsoon the construction pace is lower as compared to Q1 FY23 which has seen the contract revenue declining sequentially to Rs.30 Crores from Rs.71 Crores in Q1. On the consolidated EBITDA front the company registered a growth of 8% to Rs.46 Crores in Q2 FY2023 compared to Rs.42 Crores in Q2 FY2022 with EBITDA margin being 22% for the quarter. For the first half the company registered a growth of 12% year-on-year to Rs.94 Crores compared to Rs.84 Crores in the same period last year and the margins coming around to 21% for the first half. The profit before tax for the quarter 2 was Rs.31 Crores against Rs.28 Crores up 10% and for the first half it stood at Rs.66 Crores up 17%. Profit after tax for the quarter is up by 17% at Rs.28 Crores and 22% up at Rs.56 Crores for the first half.

On the business wise performance, the revenue from MSW C&T is up by 10% to Rs.116 Crores for the quarter and for the first half it is up by 15% and as Shiju mentioned the growth was up on account of increased volumes in our existing contracts and ramping up of C&T activities in our newer contracts. The total MSW C&T volume is up by 8.1% for the quarter. MSW processing revenue has increased by 19% to Rs.45 Crores, the revenue increased to Rs.86 Crores for the first half up by 17%. In general we witnessed high input cost and repair and maintenance related inflation, increase in logistic cost due to supply of compost and RDF and as a result our operating expense as a percentage of revenue has increased by approximately 250 bps compared to last year. Over last year we have made significant investments in our people including proactive wage adjustments and an improved benefit package and increased training. Leading repair cost and transport costs remain elevated, higher cost for parts, third party service are factors which we continue to watch. On the balance sheet front our net debt-to-equity as of September 30, 2022 was maintained at 0.3x. Total debt as of September 30, 2022 stood at Rs.289 Crores and net debt at Rs.200 Crores. The overall credit profile of the company has remained stable and this has reflected in our overall interest cost improvement of 330 bps decrease in average consolidated borrowing cost from 12.7% in March 2021 to 9.4% as of September 2022. Our receivable days are in control and we stood at 72 DSOs for the trailing 12 months ending September 2022. That is it from our end and we now open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Prashant Sharma from Quantum Securities. Kindly proceed.

Prashant Sharma: Sir I just want to know the status of the two new projects that we got NMDC and Jhansi, have they started contributing to our revenue because our C&T revenue was almost flat sequentially so just need to know the status of them?

N. G. Subramanian: So yes so both Jhansi and NMDC have started the operations so if you look at on a sequential basis that decline in revenue is primarily due to Rs.41 Crores of processing cost which is absent now so that is one of the key reasons why you are seeing a fall in my revenue which is offset by an incremental revenue which has come from a core revenue section so both on Jhansi and NMDC the core revenues have started kicking in.

Prashant Sharma: Okay and regarding the new project that we got what is the revenue potential for that?

N. G. Subramanian: If you are referring to the one of the power sweeping contracts that we bagged in Nagpur I think it is not a significant contract so for us it is just an incremental product supply that is happening in the same zone that we are operating in.

Prashant Sharma: Thank you very much. That is all from my side.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Kindly proceed.

Bhavya Gandhi: Sir I just wanted to understand how do we assess receivables because I think we classified them under other financial assets also so if on six monthly basis if we want to understand how much is the debtor outstanding if you could just provide me the split what is the number?

N. G. Subramanian: So if you want to include all the receivables in the financial assets as well as the current and noncurrent receivables my total DSOs would be around 102 days as against maybe 92 days for this period last quarter. This includes certain receivables payable by the client at the end of the project life so going forward as a management practice we will start incorporating all the receivables current and noncurrent and even the money which is payable at the end of the project as a separate line item and we will disclose that separately.

Bhavya Gandhi: Okay and in terms of absolute figure what it would be right now at six months closing?

N. G. Subramanian: I just need to get back on that but I will give it to you when we go to some other question. I will have that thing collected out.

Bhavya Gandhi: With respect to MSW market I see that we have made some changes in the presentation that historically we were projecting 14% sort of growth now we are projecting almost 11% sort of growth MSW market growth as a whole any reasons for downgrading the growth mentioned in this presentation?

N. G. Subramanian: We just got the latest updates from the consultants over here because over the last couple of years we have seen slight bit of degrowth in the corporations' spending patterns so this is as per the report that has been given out by the market research company so may be with newer policies of government spending increasing over the next couple of years we will again revisit this but this is just market report that we have got from the entity which we are sharing.

Bhavya Gandhi: Okay fair enough Sir and also with respect to MSW processing can you just elaborate on the margin because we have service concessional agreements also so if you were to evaluate your P&L how should one look at may be like what is our absolute EBITDA that we are generating if we remove the contract part out of it then?

N. G. Subramanian: So Bhavya normally we do not talk about segment wise margins processing or C&T per se but given the complexities and the capital nature involved in processing it is very fair to assume that the processing contracts have a higher margins as compared to C&T contracts and going on the question on the total receivables including trade and financials the total amount as of September stands at around Rs.200.08 Crores.

Bhavya Gandhi: Rs.201 Crores roughly?

N. G. Subramanian: Rs.201 Crores yes.

Bhavya Gandhi: Thank you so much. I will get back in the queue.

- Moderator:** Thank you. The next question is from the line of Ankit from JHP Securities. Kindly proceed.
- Ankit:** In union budget 2023 there was an increase in allocation of funds to municipalities is there any change in government and center level how it will impact our fund allocation?
- N. G. Subramanian:** The fund allocation for opex and capex do not significantly change based on these rulings because this is slightly long and depending upon the smart city budgetary allocations the same gets allocated to different cities but over the last couple of years we have seen a significant spending increase in lot of the smart city areas that we have been targeting and working with so the trend is very much on the northward side and we see the same building up.
- Ankit:** Do the state government have any control over municipality decision?
- N. G. Subramanian:** Normally municipalities by themselves are authorities and the state government does not have any significant influence in the municipal corporations' decision making process.
- Ankit:** Okay I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Neerav Dalal from MIB (Maybank) Securities India. Kindly proceed.
- Neerav Dalal:** Thank you for the opportunity. I had a couple of questions. First on the capex side if we see this year we have CWIP on the fixed asset side as well as that on the intangible I believe the intangibles would be the Pune facility so I just wanted to understand in terms of the fixed asset CWIP what would that be that is my first question and the second question is in terms of FY2023 what would be the growth drivers in a sense the new projects which were partly there in FY2022 which would be the revenue drivers of FY2023 that is number two and number three was the volume growth lower than what we were expecting at the start of this quarter so these were my three questions?
- N. G. Subramanian:** To answer your first question the CWIP in the financial assets partly refer to assets that have been procured and deployed for the Nashik C&T contract because these are not transferable to the corporation at the end of the project life and also present capex that we have incurred and we are ongoing at our waste to energy project and the Kanjurmarg site wherein these are used for generating RDF and compost which are not transferable to the corporation so those capex are sitting at my CWIP in my financial assets today. On the tonnage growth expectations and the trend we have seen an 8% growth from organic sites per se that is pretty much in line with our historical trend and that has not been on lower side of our expectation. Normally in a base case scenario we look at 3% to 6% growth in organic waste being generated. 8.2% also shows the incremental tonnage growth coming from new projects of Jhansi which was on the unit base and that is not coming into my tonnage base revenue model so 8.2% is over and above the revenues growth that have seen in Jhansi and in Varanasi. The contribution from newer projects that is NDMC and Jhansi, last year NDMC had only eight days of operations, Jhansi was less than a

quarter of revenue so I think this year we will be looking at a full year revenue contribution coming from both these two sites. NDMC is not still 100% mobilized by the end of the current quarter we would see 100% assets being mobilized as part of the assets is still to be provided by the corporation.

Neerav Dalal: Got that. Just a followup on in terms of the capex thing so for the current year what should one look at as the capex and if you could just remind us in terms of what would be going towards the Pune project and then what would be going towards the other projects?

N. G. Subramanian: For the Pune project we are estimating an incremental capex of Rs.67 Crores. This bulk of it this will be spent in Q3 and Q4 and may be part of it will be in Q1 based on the independent engineer's certification but Rs.67 Crores is what we expect at the waste energy plant to be done. At the Kanjurmarg site we are looking at our incremental capex of around Rs.12 Crores for the second half of the current financial year. We do not see any incremental capex at our collection and transportation businesses. If at all it is there is going to be in the tune of around Rs.1.5 Crores to Rs.3 Crores but that is depending upon the tonnage improvement that is likely to happen. As of now it is not happening so maybe we will defer this to the next financial year.

Neerav Dalal: Got it and just lastly in terms of how do you see the visibility in terms of new contracts if you could just give us some indication in terms of how many contracts that you have bid for and when do you see the outcome and what is your expecting in terms of new deals coming up for bidding so some idea on that?

Jose Jacob: Presently we are working on four to five new bids and we hope that our strike rate has been always been good in the past so we will maintain those strike rates so may be in a couple of months we can come out with the number of contracts what we are bidding.

Neerav Dalal: Right so has there been any slowdown in terms of bidding process or this is what is expected?

Jose Jacob: Normally the speed of LOAs and that converting into confirmed orders it takes some lead time and the only change that has happened over the last couple of years is because of COVID the decision making process has got delayed because of events beyond the control and more importantly a large number of corporations we have seen the elected bodies yet to be elected and them to start working in full swing so example corporations like BMC, Navi Mumbai, and Nagpur there are no standing committees, there are no committee members or the corporation is yet to be formed. Even MCD has got an election due in next month so a large number of corporations the election is due and then the work continues the normal work will continue so we are seeing a delay over the last couple of years partly COVID and partly procedural. This has not been the thing in the past but this is something that we have now seen getting addressed proactively.

Neerav Dalal: Got that. Thank you for patiently answering my questions. Thank you.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Kindly proceed.

Anurag Patil: Thank you for the opportunity. Sir now that the PCMC project has delayed till Q1 FY2024 in the second half what kind of a contract driven we can expect to recognize, how much can spill over to Q1 FY2024?

N. G. Subramanian: We expected the project to be up and running by March 2023, now because of this delay what certain equipments we were supposed to reach our site by November end and February that is getting pushed to March so we are expecting the delay of around two to two and a half months from our initial expectation and the total capex spending is around Rs.67 Crores may be around 80% of that will be done in the current year and the balance 20% might fall into the Q1 of the next year. All efforts are on to coordinate with the vendor and trying to kind of jump the queue and try to make the process faster so that the work can be done and completed in a timely fashion.

Anurag Patil: Okay and Sir can you comment on the second half of current year how do you see the revenue trajectory and also the margins how do you expect it to pan out?

N. G. Subramanian: Normally our core operating margin hovers around 25% to 26%. The recent fall in our decline in my EBITDA is partly because of significant contribution of contract revenue and contract cost so may be by second half of FY2024 we will be showing core revenue and core operations there from and that is time we can have a realistic view on how the EBITDA shape up without significant contribution or the revenue being skewed towards contract revenue and contract cost.

Anurag Patil: But Sir if we explore the contract revenues also and cost then normalized core margins are still coming around 22% to 23% by when we can expect to normalize to earlier levels of 25% for core business?

N. G. Subramanian: So we expect that to happen anytime between the Q4 and the Q1 of the next year, Q4 of the current year and by Q1 of the next year because some of the escalation will also be passed through to us by January and February onwards and the benefit of all the recent increase in costs gets offset by the tipping fee increases.

Anurag Patil: Okay that is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Richard Dsouza from SBI Mutual Fund. Kindly proceed.

Richard Dsouza: Good afternoon. So just a couple of questions, you mentioned in your remarks that you are bidding for four or five newer projects so are those projects large enough to make an impact on the balance sheet or how are they?

- N. G. Subramanian:** So one of the projects it was a large size but the capex will spread over couple of years similar to processing contract they would be of a long-term renewal similar to the project that we currently execute both at Kanjurmarg and at Pimpri Chinchwad. The balance three contracts that Jose was eluding to are of smaller tenure and they do not have significant balance sheet impacts so we do not foresee our net debt to equity to go beyond 0.8x or 0.9x on a full drawn basis for the current and maybe for the mid of the next year.
- Richard Dsouza:** Okay great so the second question was that recently there were some ruckus being raised about the Ghazipur dump in Delhi where there were some methane emissions and all that and I think the MCD elections were getting over next month so is that project open for bidding because I believe that the current provider there for the WT is not doing it properly that project was closed for six months I think so?
- Jose Jacob:** The thing is post election they will come up with a tender for bio-mining the landfill so they are preparing a budget the amount required is pretty huge but everything will happen post elections.
- Richard Dsouza:** Okay cool and there were a couple of more dump yards in Delhi so are they also open for bids or how is the situation there?
- Jose Jacob:** Most of these landfills are unscientific landfills so that is the reason it is creating a lot of pollution so the only option is to bio-mine it or close the landfill so bio-mining is the best option because they can vacate the waste and for this huge amount of money because the size also landfills are pretty huge and they have been dumping for many years so the fund is being allocated and everything is planned but all the movements will start post elections.
- Richard Dsouza:** Okay I thought only in MCD there is election the other two dump yards are in other regions of Delhi is not it?
- Jose Jacob:** Yes. The other regions are also the fund allocation and everything has to be done but they want to bio-mine it and all that so basically what we do Richard we see if the money is in place otherwise we do not bid in places like that. The one we have got is Greater Noida there the fund is allocated so we bid, so we see the allocation is with them and we go for it.
- Richard Dsouza:** Okay one last question from me you had a bit of wage increase in Q3 any particular reason for that?
- N. G. Subramanian:** We have seen some rationalization to be done because we had the full year annual review of all the teams so total staff strength is around 8000 employees 90% of them are under my minimum wage so I do not have to worry about them but the balance around 9% of my employees still need to be competitively compensated so there was an entire exercise that we conducted which was an annual exercise and that was the reason we have seen an increase in the wage dip coming in so we will try to split the entire increase in two phases and half yearly review that just got completed now and the initial impact that was done the cost is getting reflected today. Secondly

we have also seen an increase in headcount because of the rollout of our projects in Varanasi and in Jhansi which is also reflected in the increase in the total wage bill.

- Richard Dsouza:** Okay thanks a lot. Maybe I will come back later. Thank you.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from IIFL. Kindly proceed.
- Anupam Gupta:** Good afternoon Sir so basically two questions. One is on the PCMC WTE project the two months delay which you are talking about does that have any negative repercussions in terms of your balance concession period or in terms of whatever in terms of penalty or anything else?
- N. G. Subramanian:** No we do not have any financial impact because of that the COD which starts after the plant is up and running so we do not have any financial impact because of this two month delay and the client has been informed about the same.
- Anupam Gupta:** That is okay. The second question is on initially you mentioned some Rs.41 Crores revenue decline in a few projects so can you just highlight what you were talking about I was not very clear about that?
- N. G. Subramanian:** In Q1 the total contract revenue was Rs.17.9 Crores and in Q2 the contract revenue is around Rs.30 Crores so that is a difference of Rs.41 Crores that was talking about because during monsoon the construction activity at PCMC which will be slowed down so that is the difference that you are seeing in my contract revenue which shows into the sequential decline.
- Anupam Gupta:** Okay understand and just one last question you mentioned the only contract which are left to be ramped up fully are the NDMC and the Jhansi and the recent sweeping contract, no other contract has to be ramped up any further right?
- N. G. Subramanian:** I was referring to NDMC and the one in Nashik not Jhansi.
- Anupam Gupta:** Jhansi is fully ramped up in terms of quarterly revenue?
- N. G. Subramanian:** Jhansi is fully ramped up. NDMC and Nashik will be rolling out in the benefit zone.
- Anupam Gupta:** If one were to quantify that in terms of current revenue versus the potential revenue at full run rate what should it be?
- N. G. Subramanian:** We normally do not comment on site specific numbers but NDMC by itself we will say Rs.100 Crores annualize revenue I would say that I would be looking at least four months of revenue coming in the current financial year and Jhansi is not a very significant in that time so that is anyway going on and that would not have any dent. Nashik the size you mentioned is 240 tonnes project so that again will not move the needle significantly but gets adds to the total.

- Anupam Gupta:** Understand. Sir that is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Hardik Jain from Whitestone Financial Advisors. Kindly proceed.
- Hardik Jain:** Good afternoon Sir. Thank you for the opportunity. Sir if I heard you correctly you said the NDMC has a potential to generate Rs.100 Crores annual revenue right?
- N. G. Subramanian:** Yes.
- Hardik Jain:** Okay Sir just one small thing actually it is difficult for me to understand if you can help me to understand it Sir? Sir the contract revenue reported is around Rs.44 Crores and I think the project expenses are also related to that which is around Rs.27 Crores so effectively there is a profit of like Rs.15 Crores to Rs.16 Crores which is being reported now but once this project of PCMC gets over this Rs.15 Crores to Rs.17 Crores of profit which we are reporting today will not be reported and it will be compensated or we will get tipping fees in return is my understanding correct?
- N. G. Subramanian:** Yes partly correct. What happens is the contract revenue component reflects the capex that I am doing and there is a contract clause which is related to that which you are right to quantify that so once the revenue is out, once contract revenue and the contract cost is out that get replaced with two streams of revenue, one is my tipping fee and the other is the sale of power so that gets added into my topline and the proportionate cost operating cost will sit in my operating cost line.
- Hardik Jain:** So what I assume is today what we are reporting around Rs.15 Crores to Rs.17 Crores of profit due to this project will hopefully will be more than compensated by the profit of tipping fees and sales of power net of their expenses?
- N. G. Subramanian:** Yes you are right on that.
- Hardik Jain:** Okay thank you Sir. That is it.
- Moderator:** Thank you. The next question is from the line of Depesh from Equirus Securities. Kindly proceed.
- Depesh:** Good evening. Thanks for taking my question. Sir if I see the adjusted margin adjusted for the contract revenue and the cost right it comes to around 23%, now given that the increase in the compost and the RDF sales that we have seen the normal expectation was that the processing margins should improve materially right so I just want to understand where is the disconnect because I think mostly you have taken the price escalation also right so when can we see the margins improve going forward?

N. G. Subramanian: So Depesh so we are seeing a significant amount of cost that is sitting today as part of the transportation cost which we had to incur because of setting up the entire linkage systems and the segregation part of work so we have opexed all of that during the quarter and may be some of the cost will sit in the current quarter so the benefit of better realization and the margins flow through is likely to happen by Q4 of the current year and the Q1 of the next year. This being the monsoon we were not able to have a better margin play over here because the moisture levels are high and it is always difficult to work in monsoon conditions when we do bio-mining.

Depesh: Got it and also Sir the new ESOP plan that you have introduced right can you give a sense on how much cost will be booked in the P&L and then it will start coming in?

N. G. Subramanian: So it is a process we would be planning to come up with a grant sometime in November/December of this year. The total cost that is likely to sit in our books will be in the tune of around of Rs.1.5 Crores to Rs.2 Crores we will be able to give an exact once the valuation of the ESOP and everything gets in because that gets expensed out through the system. Of the 3 lakh shares that is likely to come into the ESOP scheme we have cut this into two components. The series one which will be granted now which is a one lakh shares and the series two is kept for future so the cost is associated only with series one and that is not going to be significant is what we understand but this will be in the range of around 2% to 4% of my total range to which is what we estimate today.

Depesh: Understood and Sir lastly I referred to the point four in the notes to accounts so just want to know the update on this Rs.57 Crores of receivables which pertains to the escalation claim on the minimum basis so the expectation was that this particular project was expected to close this year right so are we just continuing that or how is this money going to come if you can just throw some light on that?

Jose Jacob: In minimum wages the escalation portion they have started releasing those payments. The minimum wages by January they said that they will start releasing a big chunk of that money so we have approached the state government because Mangaluru municipality is looking for additional funds and anyway they have promised and recently they have released quite a few money on escalation also.

N. G. Subramanian: This is just to add on what Jose mentioned we have got a further extension which will now continue till June 2023.

Depesh: The overall as I understand properly if you can just help me just recollect so during the escalation we do not basically buy new vehicles and the remaining maintenance cost increases right so do you think any impact on the margins going forward because of this?

N. G. Subramanian: We would be hiring more machines and we will not be investing more capex so there might be a slight margin variation but that is taken care by the increase in volumes which was not seen in the last two years so now we are seeing a slight bit of improvement in the volume strength so we

may invest in hiring a few vehicles and not buying any new vehicles for the extended period of time.

Depesh: Got it and lastly Sir on the PCMC contract you mentioned a delay because of some semiconductor issues and all so the other companies are basically saying that a semiconductor issue is getting solved now rather than being a major issue now so how sure are we that this two month delay the vendor is saying is that the project will commence in that time and it will not get further delayed because I think the problem has been solving and till last quarter we were like very confident that by March it should start by what happened in the last two months I just want to understand?

N. G. Subramanian: So what has happened is with three of the parts they come from Japan and that kind of got delayed because they were pushed down the supply lines from the vendor side so we have again renegotiated with them to move it up the supply line so something which was supposed to be delivered on site that got pushed down by two weeks and secondly there was some logistic issue at the shippers end there was shortage of containers that they need to move it out from the container depots so that is something of a global phenomena in certain big shipping lines so that is something that has been touted as the reason for the delay but we have been talking consistently because this is something which was very critical nature because everything else falls into place once the main component gets installed so the electrical wiring and other ancillary works all is linked up to these three equipments coming on board and getting shipped into the site.

Depesh: Got it so the Rs.67 Crores capex that is spending in the PCMC that will be major with the machine installation right that will happen just in the last piece of the month right?

N. G. Subramanian: Yes so that includes electrical wiring and the main machine parts the central cabinet.

Depesh: So in Q3 and Q4 the contract cost and contract revenue will be much lower and it will hit basically Q1 FY2024?

N. G. Subramanian: It is likely to be 70% in Q3 and Q4 and 25% in Q1 because bulk of the work and our boilers and everything will already be in place by the end of January and the installation of the electrical wiring and everything will start going progressing post that so this is likely to happen in Q4 and in Q1.

Depesh: Understood Sir. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Kindly proceed.

Bhavya Gandhi: Sir with respect to guidance I just wanted what is our forward looking guidance for revenue and EBITDA do we stick to that 25% sort of revenue guidance?

N. G. Subramanian: So we normally look at the longer part of growth lines and as Jose had mentioned a 25% CAGR growth and the ability to maintain our margins or something that forms the deadlock for our company so we will stick to the guidelines here.

Bhavya Gandhi: Okay and with respect to timeline of incremental revenue for the next two quarters except NDMC we do not have any further revenue uptake and may be in Q1 FY2024 we will have Pimpri Chinchwad waste to energy reflecting in our books and post that do we have any sort of plans where we can increase our revenue potential because on tonnage front you mentioned 7% to 8% is something that we are looking at on CAGR basis but the industry itself is growing at 9% odd so we expect our tonnage growth to be lesser than the industry level?

N. G. Subramanian: So what is happening now few of the contracts are not on tonnage so when I am saying 8.2% increase in tonnage I am not including the benefit from contracts like Varanasi and Jhansi which is on unit so households collect so 8.2% does not reflect the total collection and transportation business growth that we are talking about because I am not able to quantify the tonnage that I am picking up at both these sites so my volume growth is more than 8.2% in that sense and just to add the incremental revenue growth over and above the NDMC and the PCMC waste to energy we would be looking at revenue contribution coming from Nashik from the end of this calendar year for example that is going to come in and also from the power sweeping contract that we have got in Nagpur so those are the two additional revenue points that is going to start coming up from Q4 of this year.

Bhavya Gandhi: Okay and one more question with respect to our credit rating so any reasons why we were at triple B minus because back then also our cash flow situation was quite good only and is it because that the interest rates fell or credit rating or interest borrowing cost also fell or has it got something else only to do with that?

N. G. Subramanian: No we have got a triple B minus stable overview from CARE for the last two years and this was during the time of COVID so there were a lot of uncertainties given the fact our revenue streams everything is aligned with the commercial activity of the nation and the fact that the government finances has always been doubted during these periods so that is why rating agency has been very cautious for any upgrades during these two periods for infrastructure companies per se but now from based on the numbers that we have shared with them we will be going for a revisit and then that is when the entire cash flows strength and the project wins will be translated into may be a better rating watch or an upgrade or a notch up at that angle so the last two years has been on cautious view for infrastructure companies across.

Bhavya Gandhi: Can we expect further upgrade in the rating and lowering our borrowing cost?

N. G. Subramanian: We have definitely been working on that because if you look my net debt equity and the cash flow from operations and my interest coverage ratio they are significantly comfortable today than what it was three years back so that is definitely going to help and over a period of time we have seen the cost of borrowing also come down significantly and even if we do not get an upgrade

materially for example I have seen my cost of borrowing come down sharply both at my significant step down subsidiaries let it be Antony Lara or Lara Renewables or even the collection transportation business wherein its vehicle funded loans so that is reflective of the current credit worthiness internally and the credit rating of triple B minus is more from a working capital facility of which we enjoy with Bank of Baroda and we do not have any term loans on that entity so the term loans that we have is that the waste processing side where we have a better rating from CRISIL and that has reflected in better borrowing costs.

Bhavya Gandhi: Okay fair enough. I will get back in the queue.

Moderator: Thank you. As there are no further questions I will now like to hand the conference over to the management for closing comments.

Jose Jacob: I take this opportunity to thank everyone for joining the call. I hope we have been able to address all your queries. For any further information kindly get in touch with me or strategic growth advisors our investor relation advisors. Thank you once again.

Moderator: Thank you. On behalf of Antony Waste Handling Cell Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.