Antony Waste Handling Cell Limited
CIN: L90001MH2001PLC130485

Ref.: AW/SEC/NSE/2023-24/43 Date: August 19, 2023

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

Script Code: AWHCL

Dear Madam/Sir,

Sub. : Transcript of Earnings call held on August 14, 2023
Ref. : Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Pursuant to Regulation 30 of the SEBI Listing Regulations and in continuation to our letters having reference number AW/SEC/NSE/2023-24/35 dated August 08, 2023 - regarding intimation of Earnings Call and AW/SEC/NSE/2023-24/40 dated August 14, 2023 - regarding uploading of Audio Recording of Earnings Call, please find enclosed the transcript of the discussion held during the said Earnings Call held on August 14, 2023, at 3:00 pm (IST) w.r.t. discussion of operational and financial performance for Q1FY24 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 PRADEEP RANE
Digitally signed by HARSHADA PRADEEP RANE
Date: 2023.08.19 12:35:16 +05'30'

HARSHADA RANE
COMPANY SECRETARY & COMPLIANCE OFFICER
A34268

Encl: a/a

"Antony Waste Handling Cell Limited

Q1 FY24 Earnings Conference Call."

August 14, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th August 2023 will prevail.

MANAGEMENT: **MR. SHIJU JACOB – EXECUTIVE DIRECTOR – ANTONY WASTE HANDLING CELL LIMITED**
MR. MAHENDRA ANANTHULA – GROUP PRESIDENT OPERATIONS BUSINESS DEVELOPMENT AND DIVERSIFICATION – ANTONY WASTE HANDLING CELL LIMITED
MR. N. G. SUBRAMANIAN – GROUP CHIEF FINANCIAL OFFICER – ANTONY WASTE HANDLING CELL LIMITED
SGA, INVESTOR RELATIONS ADVISORS – ANTONY WASTE HANDLING CELL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Antony Waste Handling Cell Limited Q1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve the risk 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 star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shiju Jacob, Executive Director of Antony Waste Handling Cell Limited. Thank you and over to you, sir.

Shiju Jacob: Hi. Good afternoon, everyone, and thank you for joining us for our Q1 FY24 Earnings Conference Call. With me I have Mahendra, Group President, Operations, Business Development and Diversification and Subramanian Group CFO and SGA, our Investor Relations Advisors. Our investor presentation is now available on the websites of the stock exchanges and also on our company's website. I would like to start by emphasizing our strong start to the financial period marked by impressive financial results. We have achieved a record-breaking quarterly core operating revenue of INR179 crores, setting a high bar for performance.

Looking ahead, our outlook remains positive with expectations for a consistent growth trajectory in our core operations. Operationally, we have achieved a significant milestone by managing the highest volume of tons in a single quarter. Notably, our commitment to excellence is reflected in our improved EBITDA margins, which has surged by approximately 260 basis points to reach 22.9%. This accomplishment has been made possible by the dedicated efforts of our team, who executed various contracts with remarkable efficiency. Despite encountering inflationary pressures impacting our cost segment, we have successfully navigated through these challenges. As we highlighted in our previous call, any softness observed in our margin was transitory and we remain optimistic about our future performance. The EBITDA margins achieved in Q1 FY24 aligned with our earlier guidance reinforcing our confidence in sustained stability and growth moving forward.

Over the past two years we have strategically allocated a substantial capital expenditure, notably directed towards the development of our waste-to-energy plant. As we enter FY24, this period sets the stage for a sturdy foundation of growth in our core operational revenue. A growth journey is poised to gain further momentum with the commissioning of our collection, transportation, processing and disposal of construction and demolition project (C&D) before the end of the fiscal year 2024. Our business stands ready to embark on a promising journey of growth. The company is currently engaged in proactive pursuits within the space of C&T and biomining projects and we anticipate sharing positive developments on these initiatives in the forthcoming quarters.

Our endeavors stand as a testament to India's steadfast dedication to uphold sustainable principles, especially as it takes the lead within the G20, a pivotal platform for international collaboration and resolving critical global challenges. Our corporate undertaking mirrors this unyielding commitment to sustainability principles, underscored by our resolute aim to provide value to each of our stakeholders. Thank you and now I hand over the call to Mr. Mahendra, our Group President, who oversees operations and new business development. Over to you, Mahendra,

Mahendra: Thank you, Shiju, and good afternoon, all of you. As leaders in the industry with over two decades of experience, we have consistently employed cutting-edge methodologies and technologies bolstered by dedicated and knowledgeable teams to responsibly manage municipal solid waste. Building upon this foundation, we successfully commissioned a state of the art 1,000 ton per day integrated waste to energy plant at Pimpri-Chinchwad city.

Earlier this month, a truly historic moment unfolded for the company as the Honorable Prime Minister, Sri Narendra Modi, inaugurated our advanced waste to energy facility in Pimpri-Chinchwad. An outstanding facet of this project lies in its alignment with India's green energy open access policy, making PCMC the first ever municipal corporation to utilize waste to energy plant generated electricity for captive consumption.

Additionally, the entire project is designed to use the treated water from the sewage treatment plant, thus reducing the reliance on ground fresh water for its operations. This project has two benefits. Not only will the corporation save approximately INR21 crores per annum by reducing their energy bill, but more importantly this project will save about 7 lakh tons of carbon dioxide annually equivalent to 1.5 lakhs of passenger car emissions.

Let me also talk a bit more about our current operations. The company has accomplished an unprecedented milestone by achieving an all-time high in the volume of municipal solid waste tonnage managed. We have also attained the highest ever quarterly core operating revenue setting a new benchmark for our achievements.

During quarter one of this fiscal year, the company and its subsidiaries handled an impressive 1.2 million tons of waste representing a significant 14% year-on-year increase. This can be attributed to the full-scale implementation of operations at the recently acquired contracts, ramping up our existing collection and transportation sites and the increased tonnage processed at the waste processing operations.

Our core operations in the C&T business have been performing in line with our expectations. The C&T business segment per se for Q1FY24, the company effectively handled 0.45 million tons reflecting a growth of about 11% compared to the previous year. Additionally, the waste processing business managed about 0.75 million tons demonstrating a growth of about 16% compared to the previous year.

Our commitment to the circular economy extends to the cities we serve, where we integrate circular economy principles to amplify resource extraction and facilitate outreach initiatives. More and more cement producers are recognizing the value and potential of our refuse-derived fuel, that is RDF, as an alternative to coal as a fuel. We sold more than 27,700 tons of RDF in the current quarter, a whopping 44% increase over the previous year. A point to note here is that the sale of RDF is currently a margin neutral event, but we expect this to improve going forward.

Further highlighting our dedication to sustainability and comprehensive resource recycling, we successfully recycled 365 tons at our Varanasi site in the quarter one of this fiscal year. On the waste processing segment, volumes handled at our operational sites have increased and disposal of processed waste such as compost and RDF has significantly improved.

The start of our waste energy plant in Pimpri Chinchwad, which was inaugurated by the Honorable Prime Minister, and our upcoming construction and demolition waste project in Mumbai, which is anticipated to come into operation by the fourth quarter of this fiscal year, the processing activities will witness a significant increase. We must mention that these processing projects normally have higher EBITDA margins as compared to the C&T operations.

On the business development front, we continue to meticulously assess new contracts against our stringent internal benchmarks. As we had mentioned in the last earnings call, in the last quarter, we participated in a large C&T tender in North India and a bio-mining tender in South India. We are reasonably optimistic about a favorable outcome in both of these tenders.

Our transformative journey will continue in the coming quarters and many more going forward. Our dedication remains steadfast in upholding the essence of this significant event, a harmonious fusion of leadership, visionary thinking, and an unwavering pursuit of a greener and more sustainable future. On to the financial aspects, let me get NG involved here. NG, over to you.

N G Subramanian: Thank you, Mahendra, and thank you all for joining us. Our team continues to advance our 2023-2024 priorities, including increasing the profitability of our business through strong price discipline and an optimized cost structure. As I said in May 2023, this year is all about getting our pricing escalations passed through and cost control initiatives to be done. This is also the year of continuing to set ourselves up for the core long term growth by delivering on what we can control.

Coming to the consolidated financial highlights of Q1 FY '24, we have reported operating revenue of INR179 crores as against INR156 crores in the same quarter last year, which is an increase of 14%. In the quarter, the tonnage handle was 1.2 million tons as mentioned by Mahendra. This reflects a strong volume growth of 14%. The first quarter, our operating EBITDA margin has expanded by 260 basis points, driven by couple of factors. One is the pricing improvement, second is the escalation getting through over a past period and a general increase in volume. The margin growth has been aided, let me repeat that, by a few of the old escalations, which were not passed through coming into the system. And this is not reflecting the true reflective of the operational benefit that we have yet to benefit from the same contracts.

We deliver this result despite some things that we can't generally control like the stubborn higher OEM input cost inflation and this margin goes despite a 26% increase in the wage bill. The increase in the wage bill is mainly due to higher employee count arising from higher processing activities and the Nashik operations, which were absent in the year-ago period. And this has seen an increase of about 1,000 in our headcount. And this is also because of a PLI scheme related to staff salary increases initiated last year.

Sequentially, the wage and staff salary bill is up by approximately 4%. In short, the company registered a 7% increase at its EBITDA compared to INR49 crores in Q1 FY '23 and an EBITDA margin being 22.9%. This quarter's EBITDA is also a record high quarterly EBITDA in absolute terms. Total PAT for the first quarter stood at INR23 crores as against INR29 crores in the same quarter last year.

The dip being weighed by higher interest and depreciation expenses related to the incremental debt taken at the preprocessing site and also due to the Nashik C&T project. Gross debt of the group as of June '23 stood at INR381 crores and net debt is at INR322 crores, suggesting a net debt to equity of 0.5x. The weighted cost of debt for the group stands at 9.7% and the interest coverage is at a healthy 5.6x.

A word on the client concentration, due to the consistent effort of the company over the last couple of years, the top 3 clients today contribute approximately 55% of our revenue and this was a high 74% in FY 2019. All these top 3 clients have a credit rating between AA and AA+, with stable outlooks. That's all from my end. Now we can open the floor for Q&A.

Moderator: Thank you. The first question is from the line of Bala Murali from Oman Investment Advisors. Please go ahead.

Bala Murali: I would like to know about this Pune waste energy project. What kind of revenue can you generate in this year and the next year?

N G Subramanian: So, we will be seeing commercial operation of the PCMC waste to energy by Q3 of the year. The plant load factor will be around 30% to 40% in the third quarter, scaling up to around 60% by Q4. On a steady state of affairs, assuming 85% plant load factor, the project is likely to give an annual revenue of around INR65 crores. So, if you were to look at the revenue contribution, I would say around INR18 crores to INR20 crores of revenue would be recognized in the financial year ending March 2024. And if things go as per plan, around INR58 crores to INR65 crores in FY '25.

Bala Murali: And other than this demolition, the Mumbai contract, demolition contract, we don't have any other contract, which can contribute to the revenue in this year or next year?

N G Subramanian: So, yes, after the construction debris and the waste to energy, these are the two new projects that the revenue will be coming in. Additionally, the two small power sweeping contracts which the company bagged, which is yet to start operations, which is the one in PCMC and in Nagpur, they will also start contributing from Q2/ Q3 onwards. So, these are the four contracts which will be starting to generate revenue in the current financial year.

Bala Murali: No, yes, in RDF, we have dispatched around 27000 tons, but it is breakeven as of now. So, at what volume so we can able to make some profit from that RDF sale?

Mahendra: So, we will probably be breaking even at higher volumes but it's not so much about the volumes it's more about that as and when clients get convinced with the consistency of our RDF, they will be paying us a higher revenue. So, we expect that when we hit a steady state of about 50,000 tons of sale, by that time we would be in a position to command a premium and enter a positive contribution in our RDF sale.

Bala Murali: Thank you. That's all from me. Thank you.

Moderator: Thank you. The next question is in the line of Anirban Manna, an individual investor. Please go ahead.

Anirban Manna: Hi, thanks. Thanks for a good set of numbers. So, you mentioned about INR55 crores to 65 crores of revenue in FY '25 incremental revenue. That's from Pimpri Chinchwad project?

Mahendra: That's right.

Anirban Manna: Alright. So, in this year, we can do INR18 crores to INR20 crores from this project. So, what can be the total revenue, means consolidated revenue including everything in FY '24?

N G Subramanian: So, on the core revenue front, we did around INR675 crores last year So we will be looking around 18% growth on those numbers, if things go as per schedule.

Anirban Manna: Okay means only core revenue and for contract?

N G Subramanian: Contract revenue, we don't foresee a significant balance of revenue here because the project at Pimpri Chinchwad is almost completed. It's we just need some couple of around INR12 crores to INR14 crores of remaining capex and these are administrative buildings and façade and there about. So, we don't foresee a significant balance of project revenue to be done in the current financial year.

Anirban Manna: Means the reason I'm asking, because contract revenue has reduced significantly year-on-year. Because this quarter, we have done INR48 crores, last quarter we did around INR40 crores but one year previous like in Q1 FY '23, we did around INR84 crores. So, it reduced significantly contract revenue, I'm talking about, that's why I'm asking?

N G Subramanian: The contract revenue is reflective of the capex that the company is doing because these are predominantly related to accounting Standard 115, which reflects to projects under DBOOT, where the assets are transferred to the client. So, the project revenue is something which reflects the construction phase of the waste processing projects. So, since the waste processing project is almost completed, and we are referring to the waste to energy project here, so we don't foresee any remnant of these contracts here.

Anirban Manna: Okay, means it would be almost flat, like INR40 crores on an average?

N G Subramanian: It should be even lesser than that going forward because the capex phase is done from the company's point of view, then the core revenue from that project starts coming and supplementing the number.

Anirban Manna: All right, got it. Yes, thanks. That was my question. Thanks. All the very best.

N G Subramanian: Thank you.

Moderator: Thank you. The next question is from the line of Somitra Joshi, an individual investor. Please go ahead.

Somitra Joshi: So, there was a little disturbance on the last part of it, so I just need two or three clarifications here and please correct me if I am wrong. So, against an estimated revenue increase of around I think it was in the range of 10% to 15% that we were expecting last quarter, has that guidance been increased to 18%? Is that understanding correct? Has there been any change in that guidance of revenue increase for this year?

N G Subramanian: So, the revenue increase guidance is reflective of the speed at which the commencement of the operation is likely to happen. So, we were expecting the project to be ready by end of Q3. Now from the way that things are shaping up, by the mid of Q3 itself the revenue numbers are likely to start in. So, that is why the numbers are being reflected there and again repeating it, these are core revenue trends that we are talking about.

Somitra Joshi: And the second part would be with respect to other margins. So, firstly congratulations on whatever you had predicted or had envisaged that has come to in this particular quarter. So, for this particular year what are the operating margins that we should consider in our calculations?

N G Subramanian: So, the margins that we reported in Q1 would form the base for us. There are two factors which kind of will influence the margins expansion. One is lower contribution of the contract revenue which has been a drag on the margins. Going forward, since the project revenue element is going to be smaller. So, the pressure on the margin will ease by itself. That is one.

Second is, in the last couple of quarters, the company has proactively not recognized revenue which were booked under the escalation clauses of various contracts because of absence of elected members in various corporations. Now, that thing has changed. People have started coming, processes are in place, so we have started recognizing few of these revenues, bulk of it is still not recognized and this is to the tune of around INR14 odd crores from a single client for example. So those things are getting rectified.

So going forward, absence of or fewer project revenue and secondly, billing as per the tender condition which is core tonnage plus escalation. These will come –in our revenue and EBITDA numbers. So, on a steady state of affairs, I would suggest a 23% to 24% to be a very conservative EBITDA number for the current financial year and that will be built, will form the basis for the period going ahead.

Somitra Joshi: So, from a calculation perspective, if we take around 22 on a very, very conservative basis, that is something that probably we will do easily, correct? Is that understanding correct?

Management: That's a very safe assumption.

Somitra Joshi: So, that's the second part to it. Now the third part is, so I was just going through all the different quarterly results. Now one thing that comes into my mind, is there a seasonality aspect to the business? If yes, does it play out in the Q2 and the Q3 part of it or there is no such thing as seasonality and more or less over the quarters, maybe here and there, there might be some difference, but we do catch up and there is not a huge seasonality impact that we see?

Mahendra: The seasonality effect actually is not a major factor in the C&T contracts, but in the case of our Kanjur project, where bio-mining is an important element. And given the monsoon season in Mumbai, which is almost 3.5 years.

Somitra Joshi: So, my question arises from the monsoon season in Mumbai…

Mahendra: That's right. So, to that extent, I mean yes, our bio-mining activities come to a standstill or at least are much less intense than the normal month. But we use that time effectively for maintenance of our equipment and secondly it also overlaps with that of cement companies with the maintenance shutdown of cement companies. So, to some extent it plays out. But to answer your question, yes, I mean it is an important factor in the case of Kanjur project.

Somitra Joshi: But that would only be with respect to like the seasonality during the rain, so more or less the rains have stopped now. So, let us say, from now on probably the actual work will start. So, the impact would be more or less if there is any impact that is only in the second quarter of it?

Management: Yes, so September onwards typically things start gearing to normalcy in both bio-mining and even the waste to energy project as we will see in the future.

Somitra Joshi: Year-on-your trend, it's not something new, correct?

Mahendra: It's not new, yes.

Somitra Joshi: Thank you so much those are the queries. Thank you so much for answering them.

Moderator: Thank you. The next question is from the line of Ansh Manek from Equirus Securities Private Limited. Please go ahead.

Ansh Manek: Sir, I have a couple of questions. The first one, is there any element of revenue booking of previous years which we did not recognize in earlier years and now has been booked in the current period?

N G Subramanian: Yes, approximately INR6.3 crores was a partial recognition of revenue which was reversed in the previous period. So, that has come through because the corporation has released the same in due time. So, that is sitting in the books and that is also helping the margin expansion because there is no associated cost with this revenue.

Ansh Manek: Okay. And second question last time you had stated there was around approximate INR20 crores of revenue which was provided or not recognized due to the absence of the elected corporate members. What would be the timeout for the current quarter?

N G Subramanian: Yes, so of the INR20 odd crores, INR6.4 has been recognized in the current quarter. The balance as and when the corporation releases the funds, this is the company will recognize the same in the books of account, on cash receipt basis.

Ansh Manek: What would be the impact of current quarter? So INR20 crores for the FY'23 or there must be revenue or escalation part in the current quarter which has not been recognized?

N G Subramanian: So, both of them put together, so when we are talking about INR20 crores, it is all related to FY'23 period. So, going forward, once things stabilize and normalize, so we would be recognizing the escalation of the previous period and also raising bills for the current period.

Ansh Manek: Okay. And sir, with respect to the Mangalore project, there was a news article where we had stated we had given the notice for the closure of any extension of the project, if you can guide with respect to that part?

Mahendra: So, we had a discussion with the client and the client has given us a schedule for clearing all the outstanding over the next few months. So, we have decided to extend our contract. So, the client will be extending our contract by six months and the client has started paying us. I mean, at least has started sticking to the schedule they had given us.

Ansh Manek: So, when are the dues expected to be settled for this project?

N G Subramanian: So, a significant portion of the receivables should be cleared by the end of the calendar or by the end of the fiscal year at the most. The corporation also initiated a new tender wherein the capex will be entirely funded by the client. The company is also looking forward to participate in this tender.

Ansh Manek: Okay, that's it from me side. Thank you.

Moderator: Thank you. The next question is from the line of Neerav Dalal from Maybank Investment Banking Group. Please go ahead.

Neerav Dalal: Okay, I had a few questions. First was in terms of new contract wins, has there been a slowdown in terms of decision making and when do you see this to improve?

Mahendra: Not really, I would not say slowdown, I mean, at least the area of operation we have to focus on as we had said in our speech, we have already bid for a large C&T contract in North Delhi, in North of India, and then a couple of bio-mining projects down South. So, we don't see any slowdown in terms of new opportunities. It is just that we want to be focused in the clusters that we are active in.

Neerav Dalal: Got that, got that. And also, I just wanted to understand in terms of the growth target that has been given of about 18% on the core business. So, this core business would include the INR15 crores, INR18 crores of new MSW processing that will come in from the Pune project, right?

Mahendra: That's right, yes.

Neerav Dalal: And then other than that, where do you see the growth coming from, does this assume any new contracts coming in or just the existing contracts?

Mahendra: We have a few C&T contracts as I said that this project in North India, I mean you know as and when that happens and so on, that can be a big growth driver. Then some of the biomining projects, now there are a lot many opportunities of that system, which are short 2- to 3-year duration, and that gives us good top line.

Neerav Dalal: So that is included in the 18% growth target on the core revenue that we are talking about. So, it includes the existing business and expectation of some new contracts coming in?

N G Subramanian: Mr. Dalal, the 18% growth is based on all the contracts that's actually been signed and where the work is going on. All future contract wins will add to this growth. But normally, there's a significant lead then the day I sign a contract to the time I recognize revenue and it is anywhere between 8 to 14 months. So, 18% growth at the company is looking forward is . based on the contracts where the assets will be purchased and will be put to use kind of scenarios.

Neerav Dalal: Got that. And just related to this, so in terms of the contracts that you already have, in which contracts do you see the additional bit coming in or where we haven't reached the steady state?

Mahendra: You mentioned additional – sorry, what is at...

Neerav Dalal: So, the contracts where we haven't reached the steady state. So hence, you will have some growth in those contracts vis-a-vis the last year to this year?

N G Subramanian: So, projects in PCMC, C&T operations and in Varanasi and Noida where we have existing operations we feel that the tonnages and the household counts can improve and that should kind of help us get the extra revenue. Also, the user collection charges in Noida is something which we feel we need to concentrate better that also adds to the top line.

Mahendra: And also, in the two power sweeping contracts that we bagged earlier this year, so one of them has just started commercial operations that will start giving full revenue and the one at PCMC will start commercial operations sometime in beginning of quarter 3.

Neerav Dalal: Sure, sir. My last question is just related to tax rate. If you see the average tax rate for the current quarter is about 34-35% we've seen having a tax rate of about 17.5% last year. So, any change? And will this be the new tax rate in...

N G Subramanian: So, the tax rates will improve, they will inch up because my waste to energy project is up and running and so that will start coming into the 25% tax plan. So, my weighted average cost of tax that normally that we look at would be nearer to 17 to 20% because of most of the contracts being put into use now.

Neerva Dalal: Okay, so it is just because the contract revenues are lower hence the tax rate is higher is that so

N G Subramanian: Yes, so those are basically book entry where you have notional revenue coming through and that sits on my expense.

Neerav Dalal: Okay, okay. So, it is just once the Pune project becomes steady state say FY '25 you would have tax rates coming back to the 17%, 18% -- 17% to 20% or in the...

N G Subramanian: Could be around 20% to 22% because of we have shifted to the most of the companies to the new tax regime of around 25%. So, the MAT benefit and everything will be out by 2025-2026. So going forward 25% would be the effective tax rate.

Neerav Dalal: So, by 2024 we should assume that for the full year the effective tax rate would be anywhere between 22% to 25% percent. Is that correct?

N G Subramanian: Yes.

Moderator: The next question is from the line of Sandeep an individual investor.

Sandeep: Good afternoon. My questions have been answered. Thank you very much.

Moderator: The next question is from the line of Dipti Kothari from Kothari Securities.

Dipti Kothari: So, can you guide us with the future revenue growth? And what can we expect in FY '24 and FY '25 with the upcoming WTE plant commissioning and C&D project next year.

N G Subramanian: So, we would be looking at around 18% core operating growth for the current financial year. Going forward, assuming the contracts are steady state and we are able to hold on to the contracts and the existing contracts which are expiring gets renewed at similar rates, then we should be looking at, at least a 15% to 20% growth thereof. If not more, but those are very conservative numbers today. Any new project builds will add to the top line.

Dipti Kothari: Okay. Okay, sir. And so, margins have improved year-on-year and quarter-on-quarter to 23%, which we had been guiding. So, were there any one-offs which improved our margins?

N G Subramanian: So there has been a one-off case which we talk about the escalation but going forward that one-off is going to be a permanent feature because in the past the escalation which is an integral part of our contract was not given or we didn't recognize it, because of the absence of members.

Now that has been rectified, and that is something which on a steady state of affairs is given. So even if you were to exclude this, going forward, escalations will be an integral part. So, our steady state of margins will form 23% as a base number. More importantly, absence of project revenue is also a positive flip on the margins for us.

Dipti Kothari: Okay, sir. And sir, what kind of margins can we expect going forward?

N G Subramanian: We are expecting anywhere in the range of 23% to 25% based on an inherent core business projections.

Moderator: The next question is from the line of Palak Shah from Billion Securities.

Palak Shah: Good afternoon, sir. I just have one question. My question is regarding like our core revenues grew by 14% to y-o-Y, but bottom line degrew by 21%. So, I just wanted to know is it because of increase in finance cost and income tax? Like can you explain in detail on these two-line items please?

N G Subramanian: Yes. So, the interest cost has increased from say INR5.5 crores to INR7 crores. So that was one of the reasons. The second reason as you rightly said is income tax because of the higher deferred tax at my Waste To Energy project. So, these are the two-line items which you rightly pointed which has depressed my PAT for the quarter. So due to the base effect and everything, that is why you're seeing it. And going forward, my finance cost will increase because until now I've been capitalizing the interest cost at my Waste To Energy project, and that will be expensed out.

Moderator: The next question is from the line of Jigar Shah from AK Securities.

Jigar Shah: Sir, I have just a couple of questions. So, you have mentioned in your press release that we are awaiting results on some awarding. So, can you share on the kind of projects we have bid for and how confident are we to win the same? And can you also share what are the contract additions you are expecting FY '24?

Mahindra: So, as we mentioned earlier, I mean there is a large C&T contract in north that we have quoted for. There is a, in fact there are a couple of bio mining contracts that we have quoted and also a couple of mechanical shipping contracts. So all-in-all, I think we are reasonably confident, I would say, but anyway, the results should be known in the next one or two months.

So definitely by end of quarter three, we should be in a fairly comfortable position to comment on the success ratio. But all-in-all, our success ratio is something like we win two out of every three projects that we bid for.

Moderator: The next question is from the line of Rishikesh from Robo Capital. As we have no response from the current participant, we'll move on to the next that is from the line of Kaushal Kedia from Wallfort PMS.

Kaushal Kedia: Can you just throw some light on the escalation clause? What did you say that going forward there won't be any issues because it's inbuilt in the contract. Now approval will be given automatically. Is that what you mean?

N G Subramanian: Yes, yes. So, the escalation clause is inbuilt in the tender and it's as per the tendering process. But since the standing committee was not formed in most of the municipal corporations because of lack of elected members, this was held in abeyance for some time. Now those things are getting rectified and getting processed out..

Kaushal Kedia: No. But how is it getting?

Mahendra: To answer your question, when we quote for a project, we quote a unit rate. And then after one year typically, there is an escalation clause which kicks in, which is renewed every quarter or every year, depending on the contractual clause. So, initially the challenge was to get the escalation for the first time around. So now that that has happened, now it will be a regular practice to get that escalation over the years. So, we will be quoting with our base rates plus the escalated amount.

Kaushal Kedia: But tell me one thing, even for historical contracts, that thing has changed. So how is it tweaked? What have you done? Have you approached them continuously? How has it changed? Because since the last quarter, what has changed that has made the change in the clause? You have revisited the contract agreement and sat with the municipal corporation. What is it?

N G Subramanian: No, we have not revisit the contract clause, sir. What has changed is the large contract with the company bag in the end of 2018 and '19. They were due for renewal for escalation clauses 2020 and 2021. But that being a COVID period and the absence of elected members, that could not get acted upon in the due course of time. So hence, there was a delay in the first tranche as Mahendra was mentioning. Now that is partly getting reflected and acted upon by clients. As and when the other clients kick in, those extra revenue will start pouring into the system.

Kaushal Kedia: So, the escalation bit that you didn't recognize in quarter 4, when will you recognize it?

N G Subramanian: So, some of the escalations were not recognized in Q3 and Q4. So, portion of that, so that total quantum is of INR 20 odd crores, of which INR6.3 crores is recognized in the first quarter. The balance will be recognized as and when the same thing gets passed and the same thing is transferred to our bank account. So, it's on a cash basis that we will start recognizing the same. So, we expect the entire thing to be recognized in the current financial year. Maybe going forward, maybe into a quarter of the current financial year, maybe going forward, maybe into a quarter of the next financial year. But that's pertaining only to the historical escalation. Once these things get ratified, then I am also due for my current year's escalation. So that also comes into the system.

Kaushal Kedia: Okay. But how did it happen? Was the standing committee finally formed?

N G Subramanian: Yes, so the Administrator, who is the Commissioner got this approval from the Chief Minister's office and he got it approved under his guidance. So, in the absence of a standing committee, the Commissioner is the administrator for the municipal corporation. But since normally the standing committee which is made up of elected members approve the budgetary allocation for the entire municipal corporation.

In the absence of an elected assembly, as you would say, I mean, it goes to the Chief Minister's domain and he has to approve it and then that's how it gets passed and done. We hope most of the municipal corporation elections happen in a year or two, so things will be back to normal.

Kaushal Kedia: Thank you, sir. There won't be any issue.

N G Subramanian: I think things are getting rectified now. I mean, the last two years have been bad. Post-COVID, a lot of focus of the government has been to get back to normalcy. And 2024 is when most of the elections, the general elections, everything is on cards. So, I think things should normalize.

Kaushal Kedia: I'm saying you said you already bid some new contracts. Is that C&T in the north?

Mahendra: That's right.

Kaushal Kedia: Okay. Okay. Will it be bigger than, say, Varanasi.

N G Subramanian: It will be of similar size or touch and go, depending upon the number of bids or the zones gets awarded.

Kaushal Kedia: And when can we know about that?

N G Subramanian: So maybe by the end of September, see it's all about the government agencies, so normally they get back to us by the end of October, it's almost two months after we submitted the bid. So maybe end of September or mid of November is when we expect. Before the December end, we should be in the know.

Kaushal Kedia: And how much could it contribute to the revenue going forward…

N G Subramanian: It will be very pre-emptive and premature on our end to give you that number because it's still, the fact that you have backed the contract, it still has a negotiation platform to be done with the corporation. So, it will be very premature right now to give you that number.

Kaushal Kedia: But approximately if you can share, approximately I know it's very far priced, but if this is to help us.

N G Subramanian: We would not like to explore that number here at this juncture.

Moderator: Thank you. The next question is from the line of Rishikesh from Global Capital. Please go ahead.

Rishikesh Oza: You said the finance cost will be increasing going ahead. So, can you like give a broad indication that what will be going ahead? And from which quarter would it reflect?

N G Subramanian: So, the interest cost will start kicking from the end of Q3 and Q4 onwards, and the quantum of increase would be to the tune of around INR2.5 crores to INR2.8 crores per quarter. That's the incremental number that we are looking at.

Rishikesh Oza: Okay. And would it be same with the depreciation? Will depreciation rise too?

N G Subramanian: Depreciation will also increase because of the plant we put to operation. That will again increase by a similar number.

Rishikesh Oza: Okay. So even depreciation by Q3 or Q4, 2.5 to 3 per quarter will increase.

N G Subramanian: Yes.

Rishikesh Oza: Okay. Also, I missed your commentary on the contract revenues. What level of contract revenues you will see for this year?

N G Subramanian: We expect around an incremental INR25 crores to INR28 crores to be spent on the capex both at Kanjur and in PCMC Waste to Energy. So that's the incremental number we have. We don't foresee a significant spike after that number.

Rishikesh Oza: Sir, my question was with respect to the contract revenues.

N G Subramanian: I was talking about that. We had INR48.7 crores in Q1, and we have an incremental INR28 crores to be spent in capex. So that will add a contract revenue to say around INR32-odd crores for the balance three quarters.

Rishikesh Oza: Okay. Got it. Also, sir, the consolidated EBITDA that we have achieved this quarter around 23%. Do we think this is sustainable for the rest of the year?

N G Subramanian: Yes, that's sustainable.

Moderator: Thank you. The next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi: Sir, just want to understand more about how the accounting is done as per Ind-AS for the contract project reflected in project cost and revenue?

N G Subramanian: So as per accounting standard 115, since the capex are made on certain projects which are of DBOOT in nature, I cannot recognize them in my books as plant and machinery. So, this is a right to charge revenue. So, we have a note on the revenue recognition on our website. I will ask Pratik of our SGA team to reach out to you. The note is available on our website, you can easily download it. Else reach out to Pratik and we can send you the note on that.

Gaurav Gandhi: Okay. All right. And I mean, is it just a book entry, not realized in…

N G Subramanian: Yes. This is a book entry; this is a book revenue that expense but a cash flow in the form of MAT limit.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Shiju Jacob for his closing comments.

Shiju Jacob: I want to express my gratitude to our dedicated team who have worked tirelessly to achieve our goals. I also extend my heartfelt appreciation to our clients and stakeholders for their unwavering support. Together, we have built a strong and successful company, and I'm confident that our journey towards a cleaner and greener future will continue to be still a success. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Antony Waste Handling Cell Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.