

Antony Waste Handling Cell Limited

CIN: L90001MH2001PLC130485



Ref.: AW/SEC/NSE/2021-22/74

Date: November 30, 2021

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 Investors/ Analyst conference call held on November 15, 2021

Ref. : Symbol – AWHCL

With reference to our letter AW/SEC/NSE/2021-22/64 dated November 11, 2021, regarding intimation of the Investor/Analyst Conference Call on Monday, November 15, 2021, for discussion on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the second quarter and half year ended September 30, 2021, please find enclosed the transcript of the discussion held during the conference call.

The transcript is also hosted on the Company's website i.e. 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

ACS34268



Encl. a/a



“Antony Waste Handling Cell Limited Q2 FY22 Earnings Conference Call”

November 15, 2021

Disclaimer: This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.



**MANAGEMENT: MR. JOSE JACOB KALLARAKAL – CHAIRMAN AND
MANAGING DIRECTOR, ANTONY WASTE HANDLING
CELL LIMITED**

**MR. NG SUBRAMANIAN – GROUP CHIEF FINANCIAL
OFFICER, ANTONY WASTE HANDLING CELL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Antony Waste Handling Cell Ltd., Q2 FY22 Earnings Conference Call. This conference call may contain forward looking statements about the company, which is based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risk and uncertainty that are difficult to predict.

As a reminder, all participants' 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jose Jacob from Antony Waste Handling Cell Ltd. Thank you and over to you sir.

Jose Jacob Kallarakal: Good afternoon! And a very warm welcome to everyone present on the call. Along with me, I have Mr. Subramanian – Group CFO and SGA-Investor Relation Advisors. I hope and pray for your continued safety health and security, as well as that of your family. Our investor presentation is now available on the stock exchanges and the company website.

I am pleased to report that we have achieved another record-breaking quarter in terms of revenue, EBITDA, and net profit surpassing the previous quarter high due to improved operational efficiency, price escalation benefits in our tipping fee, and also increased tonnage. We saw an increase in waste generation as the authority eased localized lockdown resulting in the restart of commercial activities in the regions where we operate. Strong execution, built-in price increases to address inflationary pressures, and tonnage growth in the future will help us improve our revenue and profitability.

Now, moving on to business-wise performance, MSW C&T projects (Municipal Solid Waste Collection and Transportation projects), In this service we have 14 ongoing projects, and in all the regions in which Antony has operations are showing signs of growth. Our Municipal Solid Waste Collection and Transportation business registered a volume growth of 20% in Q2 FY22 as compared to Q2 FY21. On a sequential basis, it registered a growth of 12%. Various Municipal Corporation has started moving forward with their tendering processes for Municipal Solid Waste Collection and Transportation and we continue to be hopeful to report on the development of the same by the end of the current fiscal year.

Municipal Solid Waste processing projects, that is the second one. To reiterate from our earlier call, we have 3 large ongoing projects. One is at Kanjurmarg, Mumbai, which has a concession period agreement till 2036. The second is at Pimpri Chinchwad, Pune, and has a concession agreement till 2040. And we have also won a bio-mining project at Greater Noida.

The volumes at our processing business group were at 12% in Q2 FY22 as compared to Q2 FY21. However, on a sequential basis, it grew by 4%. Both our projects at Kanjurmarg and PCMC which is Pimpri Chinchwad Municipal Corporation continue to perform well. The groundwork and pre-operating activities at our Greater Noida Bio-mining project have started and are progressing well. We expect Greater Noida operation to start contributing to revenue from the current quarter. Our Pimpri Chinchwad Waste to Energy project is moving along nicely and the civil work is progressing as per schedule. This plant should be operational by March 2023.

I would like to provide an update on recent changes in the director of our company, Mr. Karthikeyan Muthuswamy, who was appointed as Non-Executive Director (Nominee-Director), on behalf of the private equity investor, Elliott Management on the Board of the Company in 2007. Consequent to the sale of the entire stake holding in the Company by the PE investor, Mr. Karthikeyan Muthuswamy in consultation with the PE firm had resigned from the Board of the Company w.e.f October 30, 2021. On behalf of the Board of Directors and the Promoter family, I would like to take this opportunity to express my gratitude and place on record appreciation for the valuable inputs provided by Mr. Karthikeyan Muthuswamy during his association of more than 15 years with the company. I would also like to take this opportunity to inform you that the Board had approved the appointment of Mr. Shiju Antony Kallarakkal as an Additional Director on the Board of the Company with effect from November 12, 2021. Mr. Shiju brings in a decade-long experience in waste processes and has played a key factor in developing Kanjur operation to what it is today and is playing a pivotal role in the PCMC Waste to Energy project as well. This is from my side. I now hand over the conference to Mr. Subramanian, our Group CFO.

NG Subramanian:

Good afternoon to all participants. I hope, you and your loved ones, are safe and well. I will go over the high points of the financial performance for the second quarter and the first half-year ending September 2021, the company reported operating revenue of around Rs. 143 Crore in Q2 FY22, up from Rs. 131 Crore in Q1 FY22, a 9% sequential increase in the revenue. The growth in core revenues is driven by tonnage increase and the inbuilt escalation process as Jose mentioned. Operating revenues increased by 43% to Rs. 273 Crore in the first half of the current financial year as compared to Rs. 192 Crore in a similar period last year. Just to reiterate, the company considers operating revenue to include only collection and transportation revenue and processing revenues.

The total revenue, which includes Contracts and other revenues has increased 6% sequentially to Rs. 158 Crore in the second quarter of FY22 up from Rs. 150 Crore in the previous quarter. Total Revenue for the H1 2022 is standing at around Rs. 308 Crore up from Rs. 215 Crore in the first half of FY21 and this represents a 43% increase year-on-year. Business-wise, the collection and transportation revenue is up by 11% to Rs. 105 Crore in the second quarter as compared to Rs. 95 Crore in the June quarter. The growth is reflective of the C&T volumes increase of 12%

as compared to the June quarter. The processing revenue is up by 4% at Rs. 38 Crore compared to Rs. 36 Crore in the June quarter. The improvement is purely reflecting the increased volumes that have been processed. The Group's consolidated EBITDA has increased 2% sequentially to Rs. 42.4 Crore in the quarter ending September 2021 compared to Rs. 41.7 Crore in June 2021 quarter with an EBITDA margin being maintained at 27%. The price escalation clause partly helped the company in maintaining the EBITDA margin in the phase of rising fuel cost and part of the credit goes to the operational efficiency initiated at the site by our supervisors. Fuel costs today constitute approximately 18% of our total operating expenses as compared to a 15% level in a year-ago period.

For the first half ending September 2021, EBITDA stood at Rs. 84 Crore up from Rs. 60 Crore in the previous year, a 41% increase. Profit before taxes has remained steady at Rs. 28 Crore on a sequential basis and this translates to a profit before tax margin of 18%. Profit after tax has stood at Rs. 24 Crore for the September quarter as against Rs. 22 Crore in the June quarter with a PAT margin at 14.9% and compared that was a year ago PAT of Rs. 18 Crore. For H1 2022, consolidated a PAT stood at Rs. 46.5 Crore versus Rs. 29 Crore for the first half of 2021, and this compares against a full-year consolidated PAT of Rs. 64 Crore. Profits post minority shareholder interest for the September quarter stood at Rs. 18 Crore and compared against Rs. 16.8 Crore in the June quarter and against Rs. 9.8 Crore in the year-ago period suggesting an increase of 84%. For 6 months ending September 2021, profit post minority interest stood at Rs. 34.8 Crore and compared against the full year 2021 number of Rs. 45 Crore.

On the balance front, net debt-to-equity as of September 30, 2021, stood at 0.2x. Total debt as of September is Rs. 140 Crore versus Rs. 150 Crore as of March 2021 and our net worth has improved to Rs. 488 Crore to Rs. 443 Crore as of March 2021. During the quarter, CRISIL has assigned BBB+ with a stable outlook and A2 to long-term and short-term bank facilities respectively of Antony Lara Enviro Solutions, a material subsidiary of the Company. The improvement in the overall credit profile of the company has resulted in lowering our consolidated average cost of borrowing approximately 170 bps from 12.4% as of March 2020 to 10.71% as of September 30, 2021. Our receivable days as of September 30, 2021, stood at 68 days and this is a critical metrics that we continue to monitor closely.

Our prudent capital management and operational efficiency have enabled us to increase our return on capital net worth to 20% and our return on equity to 16.6% as of September 2021. Similarly, our net cash from operating activities stands at Rs. 47.7 Crore for the first half of the current financial year.

I would like to give an update on the recent search conducted by the income tax department at the premises of our company and our subsidiary companies.:

The search process was completed on October 15, 2021, and the Department aimed at verifying the claims of our vendors who provide subcontracting activities to our Delhi operations and was

aimed at quantifying and confirming the same. Just to delve into this, the company through its subsidiary is providing collection and transportation operations to the North Delhi Municipal Corporation and this contract was a 10-year contract which was bagged in 2005. We continue to provide solutions post the project expiration date, which was in 2015, as the tender maintained that the operator must continue providing the services to the client till the time the new contract is tendered out and an operator is assigned for the same.

Given the fact that these are the essential services that the company provides. So, for lack of any firm extension by the corporation, the company has had no options, but to find recourse to hiring a few vehicles to provide services, and these vendors have claimed GST credit but proposed to not have filed their income tax returns. The company has provided all possible assistance to the officials and furnished all explanations, information, and clarification as desired by them in this matter.

I would like to inform you that all the payments to the vendors have been made through RTGS, NEFT, and through cheque payments, and after deducting appropriate TDS, and the same being deposited with the appropriate departments. Additional information as sought by the Income Tax Department is being collated from our end and that from our vendor's end and the same will be submitted. The department may conclude the proceedings within 60 days after a thorough examination and verification of these expenses. Following that, the assessment unit will take up the proceedings, and the assessing officer after scrutinizing the case will conclude the proceedings for passing the assessment order. Since proceedings are at a preliminary stage and in the absence of any notice or demand from the income tax authority at present, no evaluation or assessment of any impact of the aforesaid inquiry can be carried out at this point. We will keep the stock exchanges informed on development on this front. We wish to inform you that the proceedings have no impact on the operational performance of the company.

That is all from our end and we are opening the floor for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mr. Akash Mehta from Topaz Investments. Please go ahead.

Akash Mehta: Thank you for taking my question. The first question I had was on the increase in the tipping fees during the quarter and you have mentioned that this was due to the price escalation, so just wanted to know if this escalation was across which contract?

NG Subramanian: The contracts have either annual escalation or quarterly escalation. So, the escalations are different for different contracts and depending upon the tendering time. The bulk of our contracts normally get escalations in February and May. So, part of the escalation that was due in June over the last year got passed on right now and that is how we can get some of the benefits accrued to it. Approximately 53% of my revenue has a variable escalation and the balance 47% have a fixed escalation. Of the 53%, I would say around 60% of them have an annual escalation which

is linked to the WPI, 30% would be on the half-yearly escalation and the balance is on a quarterly escalation.

- Akash Mehta:** Just to have continuation, the newer contracts, what are the periods of this escalation?
- NG Subramanian:** The new contracts that we have bagged recently were Jhansi and Varanasi, they have an annual escalation and that is yet to kick in. The escalations that we are benefitting as from our old contracts like the one in Nagpur, Navi Mumbai, Pimpri Chinchwad, and MCGM.
- Moderator:** The next question is from Kalprit Narvekar from Alliance Global Investors.
- Kalprit Narvekar:** Congratulations on good numbers. My first question was on the income tax search, wanted to understand what exactly the issue from our end is. Is that the Income Tax Department unable to match the invoices from our end and the vendor's end or have the vendors sort of unreported or over-reported the fees or something? What exactly is the issue with the income tax search?
- NG Subramanian:** Mr. Narvekar, the problem is as you rightly said is partly because of the vendor's inability to confirm and apply the compliances in their income tax returns. All the payments that we have made to these subcontracting vendors are through RTGS and bank transfers after deducting the TDS. Now, we don't get any GST credit in our business because all our clients are urban local bodies, so there is no GST credit that we can offtake from the vendors. The vendors have been taking GST credit and few of them have been not filing their income tax returns. That is something that we understand from our conversations with the tax authorities. There has been an underreporting of income at the vendor's end and that is something that has been scrutinized by the tax authorities.
- Kalprit Narvekar:** But from the perspective of our company, you are compliant with the GST and TDS requirements?
- NG Subramanian:** Yes. All the TDS that is deducted gets paid by the company upfront, so there is no non-compliance at that end. We do not take any GST credit, so there is no non-compliance in that part as well.
- Kalprit Narvekar:** One question, say in the future then how do you sort of plan to change your vendor's selection process or something to avoid issues like these?
- NG Subramanian:** What we will do and that is something that we already initiated our team is to have a strict vendor profiling, which is like any banks you need the vendors to provide us with that ITR acknowledgment number. We don't need ITR copies per se, but we need the acknowledgment that they are filing their returns on time. So, as a company, our selection of vendors will be the only way that we can safeguard ourselves from this kind of action.

- Kalprit Narvekar:** One other question is on the order visibility. Could you share some thoughts in terms of what bid you have put in or any pipeline or any sort of visibility on orders coming the next year?
- Jose Jacob Kallarakal:** A few bids are coming up and we are working on it. Few down South as well as in the North, and we are under the process to bid and winning a few contracts. Right now, we are already executing our projects in Varanasi, Jhansi everything which we won last time, is under process and now we are looking for a few more contracts to add to our order book.
- Kalprit Narvekar:** Any specific targets on that number of bids or anything?
- NG Subramanian:** We will not be able to give you the number of bids. We will look at the viability of the client and our ability to maintain our financial returns and the profile of our company. It is just not the number that we target, operationally we can take an incremental business over around 2,000 tons per day kind of a business, both collection and transportation, and waste processing. The company's business development team and operations team are geared to take up new projects and the ones that we are already bagged in are under the execution and mobilization phase. We are talking with new clients and currently, we are seeing a few bids coming up where the company is partaking interest. It will be too premature to name those clients and it's in our interest to keep working on the same.
- Moderator:** The next question is from the line of Anupam Gupta from IISL. Please go ahead.
- Anupam Gupta:** Firstly, if you can talk a bit about the ramp-up which is happening in the Varanasi, Jhansi, and Greater Noida contract. We will just talk that through how that will come through, how Varanasi ramp up, and the other two will increase in the second half?
- NG Subramanian:** On the Jhansi, we already started to work in certain sectors of the city, so by January 26, 2022, we should be 100%. this is an internal target that we have set. So, maybe in the fourth quarter, we will see the full quarter's revenue from Jhansi. Varanasi, we have rolled out 80% of the scope and by the end of the current calendar year, we should be 100% rolled out in Varanasi. Greater Noida, we have completed our mobilization work in October end and November onwards we have already started the activity of bio-mining. Maybe one month of revenue will be sitting in the third quarter of this current year and full quarter's revenue of greater Noida bio-mining in the fourth quarter.
- Anupam Gupta:** In terms of tenders, there is a re-announcement of the Swacch Bharat with slightly more details and more emphasis which is given there. So, what sort of opportunities if you can talk a bit more detail, let's say it is more of C&T, or are you seeing more of bio-mining coming in incrementally. Slightly more details where if you can share. Not the name, but at least the trends in what sort of contracts are coming up?

- Jose Jacob Kallarakal:** There are a few contracts of waste processing at the pan India level as well as collection and transportation. What we do is we do a proper due diligence of the municipality where they have the funds available and then we go for bidding and there are few tenders in the North as well as in the South, I have been told not to express what are the municipalities and all that, but we are underbidding process, and we have submitted also some bids and we are waiting for the results.
- NG Subramanian:** The kind of contract that is coming up is not purely collection and transportation or waste processing, it is a combination of both and also bio-mining that is happening in the established cities.
- Anupam Gupta:** In terms of the margin, which came in slightly lower in this quarter because of the escalation, which is delayed, so you said May and February are the main times when it happens. So, let's say from here till let's say 3Q margins are again subdued and only in the fourth quarter will you see a slight jump assuming fuel remains where it is?
- NG Subramanian:** Yes, so for example fuel today constitutes around 18% of my total operating expense Anupam. And this has risen by 64% partly because of the increase in cost per litre and also due to the increased trips to handle the increase in tonnage. Part of the increase also comes from the start of the Varanasi operations. Fuel cost, what today is 18% of my total opex was just around 16% in a year-ago period. This increases partly because of volume consumption and also because of the pricing that is coming. Escalation is annual or quarterly as the tender spells out. We would be getting some benefits at the beginning of the next calendar year.
- Moderator:** The next question is from the line of Manav Sujith from Deep Financial. Please go ahead.
- Manav Sujith:** You had mentioned in the last conference call that by the end of quarter 2, which was September, the entire paperwork of increasing the stake from 63% to 73% will happen.
- NG Subramanian:** The Brazilian team had to come down to India to fulfil certain paperwork. We have submitted the document afresh to our bank. That process is on, and we expect the same to be completed by the current calendar year. The documents have been changed multiple times by the banking institutions. So finally, they had to come down to India to do it physically because copies and the translated version gets dated very fast. Certain norms and certain procedural delays didn't help us do it, but the team is here from Brazil. They have fulfilled the documentation work now. We expect the same to be completed by December 31, 2021.
- Manav Sujith:** In that case, the profit of the additional 10% equivalent will come only in quarter 4, or that will come even in quarter 3?
- NG Subramanian:** It would be from the date of the opening of the Demat account and conversion of preference shares held by AWHCL,

Manav Sujith: My second question would be regarding this Kanjurmarg project that you have. Last year we processed roughly 1.7 million tons in that project averaging close to 4,700 tons per day. If you can explain what was the number in H1FY22?

NG Subramanian: So for H1FY22, we were averaging around 5205 TPD.

Manav Sujith: In your quarter 2 PPT on page 4, you mentioned that to date you have processed close to 10.01 million tons and again in quarter 1 PPT you had mentioned that up till FY21, you had done 9.69, so that converts into close to 320,000 tons for actually 90 days, which converts into 1,800 tons per day. Is there something typo that you have in the PPT?

NG Subramanian: We are averaging around 5,200 tons at Kanjur and 800 at the Pimpri Chinchwad Waste to Energy project. Maybe the cumulative of both sites. Let me have a recheck on these numbers and maybe we will give a split between the Kanjur operations and the PCMC Waste to Energy operation for future reference.

Manav Sujith: That will be helpful! Thank you. My next question, now the CAPEX that is supposed to do in your PCMC project. I think as far as H1FY22 is concerned, you have already spent close to Rs. 35 Crore or Rs. 36 Crore or so. Are you on track to do Rs.100 to 120 Crore CAPEX in that project in this year?

NG Subramanian: So, part of the first half of the year is because it has been monsoon in this part of the country. Part of the CAPEX gets slightly delayed. The second half should be significantly more, and we have already started work on that. The numbers can vary based on the initialization of the work order issued. But we are targeting CAPEX to a tune of at least Rs. 90-110 Crore in the current fiscal year.

Manav Sujith: My next question would be. In the last call, you had mentioned that of all the projects that you are running, you got escalation in close to 65% of the projects, and in the rest, 35% of the project escalation will come in H2FY22. Now, in quarter 2 again fuel prices have moved up, so I believe that you would be again going back to the municipal corporation and asking for a further hike because the price hikes were much beyond, I believe, all the contacts you had. So, have you submitted claims even for this abnormal hike to the municipal corporation?

NG Subramanian: We have requested our clients to look at these swings in the pricing as a force majeure event and the Company has requested the good offices to consider the same. However, the tender clearly says that the escalation is in a time-bound fashion, which is like a P1 divided P0 and P1 being the plus 12-month time of the horizon. So, by tender that is what you are entitled to. Now, it depends entirely upon the Corporations and their respective Standing Committees to agree to give adhoc fuel price increases.

- Manav Sujith:** My last question to you would be are there any updated providers on the dividend policy. Because the last call mentioned that you guys are working on a different policy and in due course, it will be informed.
- NG Subramanian:** On the dividend policy, the status remains the same because we have already discussed this in our Board Meeting pre the AGM where the dividend policy of the company was adopted. So, the Company is planning to have a stated dividend policy once things stabilize either on the Covid front or on the CAPEX roll-out and once businesses stabilize. The Board will deliberate on the same.
- Moderator:** The next question is from the line of Dipesh from Equirus. Please go ahead.
- Dipesh:** Just want an update. Is there any clarity on the closure of earning from the next 6 months to 1 year, the contracts which are already expired? Is there any clarity from the municipalities?
- NG Subramanian:** Dipesh, the contract has been extended by 1 year according to the media report, so the Mangalore project which is expiring February 2022 has been reported in the media that it has been extended by another year. The other contracts have all been extended by 6 to 12 months.
- Dipesh:** Any particular contract or place that you can highlight where the volumes are still below the pre-Covid levels?
- NG Subramanian:** Certain areas in Pimpri-Chinchwad is slightly softer than what it was in the past and also in Noida. It has significantly improved from the worst of the times, but the commercial activities are yet to be back to pre-Covid levels in a consistent manner and we have seen certain days that it crosses those limits, but it has not been sustainable.
- Dipesh:** Putting all these together, so you have done like Rs. 75 crore EBITDA in the first half of this year and you annuity-based business model right and the second half you have basically the new contracts coming in of Greater Noida and your Jhansi, and also Varanasi full ramp-up will be visible, and also if you think about it, the fuel cost the worst part of the fuel inflation, I think we have already seen it and the fuel doesn't increase further. So, any guidance you want to give for the full year EBITDA number, what you are looking at right now?
- NG Subramanian:** We would be very happy to maintain an EBITDA margin of around 27% to 27.5%. I mean if fuel prices don't go up by another Rs. 10-15; hopefully, it should not go back to what it was, we should be able to hold on to these margins.
- Dipesh:** Absolutely, those margins can go up and down depending on the contract revenue that you booked, but the Rs. 75 Crore of absolute EBITDA that you have booked in the first half that should be the base right and you should build over it right now second half?

NG Subramanian: It would build over it. But just a point, there is always a seasonality in our business. Because, the first half of the year has monsoon, which increases the tonnage as moisture level adds about 8-9% of the weight, so that benefit may not be available in the second half. But this gets compensated by the increase in new business like Greater Noida and Jhansi as you rightly mentioned.

Dipesh: So at least Rs. 150 Crore kind of EBITDA we are seeing versus last year of Rs. 114 Crore ok got it. Secondly, any tax rate guidance because I think your effective tax rate is kind of lower because of deferred tax rate benefits are coming in. So, any guidance effective for the tax rate for the full year?

NG Subramanian: For the current year and the next year, we will be having the same effective tax rate as what we had enjoyed in the first quarter of the current year. So that is going to continue because, in the previous years, we had accumulated losses at the standalone entity that is got completely taken care of, so our tax rate will be in the range of around 22.5 to 24%.

Dipesh: Lastly, the CAPEX apart from the Pimpri Chinchwad CAPEX that is going to kick in, any other CAPEX you are looking at on the existing contracts of the Greater Noida contract, any think is pending?

NG Subramanian: Greater Noida CAPEX was done. There is no incremental CAPEX at Greater Noida. There will be an incremental CAPEX at my Kanjur facility to a tune of around Rs. 28 Crore over the next 2 years, but for these, we don't have any other CAPEX planned out. As and when we bag any new contracts there will be a CAPEX proportionately to the business that we will be doing. The company is also planning to onboard a few electronic vehicles because we want to try and test them out in our existing setup. So, maybe we will procure a few and roll them out in different sites just to know whether these are functional and how effective they are. The CAPEX here is not a significant sum.

Moderator: The next question is from the line of Sagar Sanghvi from ADD Capital. Please go ahead.

Sagar Sanghvi: A couple of questions from my end. When we look at the business, so last quarter you mentioned you have bid for six projects, three into collection and transportation and three into processing business. Any progress on that?

Jose Jacob Kallarakal: The company has already provided the technical information to the clients and the corporation, and they are reviewing the same, and based on these things, they will rework the tendering requirement, and then the bids will be opened up for bidding processes. it takes anywhere between 6-12 months for a collection and transportation business to get from the intent stage to the LOA stage.

Sagar Sanghvi: If we add all three of it, how much revenue that would contribute to collection and transportation, and also on the processing side the bid would require what kind of CAPEX or something?

NG Subramanian: If it is a waste processing contract, the normal gross asset turnover is in the ratio around 0.3 to 0.4x. So, if that gives you a tonnage of 800 or 1,000 TPD number and the CAPEX may be around Rs. 100 Crore, the annual revenue would be around Rs. 30-45 Crore depending upon the technology that we use and the kind of processes that needs to be involved. These are normally around 20–25-year long tenure with EBITDA upwards of 50-55%, so that is on the waste processing side. Collection and transportation, the gross asset turnover would be in the range of around 1-1.25x. These are normally around 7–8-year kind of a contract. Depending upon the size or the mix of the contract that we are talking about, an annualized revenue anywhere in the range of Rs. 60-80 Crore from that particular project can be added from the start of operation.

Sagar Sanghvi: Looking at FY24. FY23, we understand there will be some contract revenue and expenses which is a 10% margin business for you. How should be looking at FY24 onwards? What kind of blended EBITDA margin is the company looking at and especially into collection and transportation and the waste to energy projects?

NG Subramanian: On a steady state of affairs, if you were to split my entire revenue into two components, my core revenue and my contract revenue. The core revenue normally comes in an EBITDA of around 28-32% through the project life. That is on a very conservative level and the contract revenues, which are nothing, but construction-related activity for DBOOT projects that have a lower EBITDA number. Over the next two years, we are seeing a significant increase in construction of my waste to energy plant in Pimpri Chinchwad, so that will reflect into a higher top line and a softer EBITDA at a consol level, but my core EBITDA level that will see an expansion because the last 2 years, my EBITDA was depressed because of lower tonnages weighed by Covid. That commercial activity was zero. On a steady state, we would be showing a slightly softer EBITDA, but that is purely because of the project revenue kicking in.

Sagar Sanghvi: That is an integral part of your business. What I understand is you have bid for all these 3 or more projects as well. Your existing constructions will get over in FY23, so FY24, FY25, FY26 the contract level will continue to kick in and your blended EBITDA margins would still remain as 27-28%?

NG Subramanian: It should be higher than those rates, it should be in the range of around 30-32%. That is what historically we have maintained pre the construction phase.

Sagar Sanghvi: If you can give me the split between the margins of the segment, is that possible?

NG Subramanian: We don't provide segment-wise margin as it is bidding price-sensitive information.

Moderator: The next question is from the line of Ashutosh Parashar from GrowthX. Please go ahead.

Ashutosh Parashar: I wanted to know how the revenues split between C&T and the processing segment will shape up in the medium term. What is your outlook on that and where do you see more opportunities going forward?

NG Subramanian: In the medium term, we would see our waste to energy at Pimpri getting commercially active in March 2023. From that point onwards, we will see it to be around a 50/50, and in the long term, we would continue to have that kind of ratio. Though waste processing is capital intensive, they generate higher EBITDA, and the revenue generation forecast is stable also. So that gives you a decent amount of visibility and the cash thrown out from the waste processing can go for fuelling the growth at the collection and transportation business.

Moderator: The next question is from the line of Kaushal Kedia, an individual investor. Please go ahead.

Kaushal Kedia: I just wanted to know in terms of cities can you say which cities are you targeting or which cities are you filling tenders just to get visibility on the growth?

Jose Jacob Kallarakal: As you know Solid Waste management new rules have come up and there is pressure on the municipality to modernize their present collection and transportation as well as waste processing and there is a lot of legacy waste for bio-mining. Swachh Bharat Abhiyan is going in full swing, coming up in main states and we have a very good opportunity to select and choose the best place to bid. So, in that process, we are bidding, and we have always targeted growth. If you see our past growth, based on that we are focusing similarly to grow annually, and you can see the waste management CAGR growth has been around 8-10% Pan India level and similarly we also are trying to target growth and post IPO we even won a bio-mining contract and now we are looking for a more bio-mining contract in Pan India level.

NG Subramanian: Further to add, we normally target cities with at least 4 lakh population, which generates around 300 tons per day kind of waste., That is the sweet spot as that is when the asset turns deliver the delta on our returns on our fixed assets. If you were to look there are 70-74 cities in the country which satisfy this need and in the bulk of them, the work is still done by the municipal corporation. We have seen a decent amount of scope of improvement. We are seeing a large amount of active privatization happening in the Eastern and Southern parts of the County and that is where a large number of tenders have been floated.

Kaushal Kedia: What I want to understand is there are so many cities like you know Kanpur, Agra, etc., any particular city that you are targeting or right now there are no particular cities you are targeting or just waiting for the tide to change basically?

Jose Jacob Kallarakal: As a company, we avoid naming the cities as our next target or place to work as a policy. The names that you mentioned have been on our radar for quite some time and we are looking at areas in and around that area. If you look at our presentation, we normally have a cluster-based approach wherein once we get a project in a particular city, we look in and around that city, and

we kind of gather more business around those areas. There would be Slide #11, which gives you a focus of what once we enter, we can leverage on the capital overheads and corporate overhead structure and kind of get more businesses in that area.

Kaushal Kedia: Your predominant presence is in Maharashtra right. So, apart from Thane, Pimpri Chinchwad, and Mumbai, are there other cities or towns that generate that kind of a waste because I think densely populated cities are in UP and Bihar like you know Kanpur, Agra, Varanasi, Muzaffarpur in Bihar, Darbhanga. These are the cities that should be of more importance right. As far as Maharashtra, beyond Mumbai and Thane is there an opportunity for growth?

Jose Jacob Kallarakal: In UP, we have contracts already in Varanasi and Jhansi, and in the state of Bihar and West Bengal, there have been requests and we officials visiting the sites who also want to modernize their present C&T and even waste processing. We are looking Pan India level. We are not only Maharashtra focused. wherever municipalities want to bring in modern technology and ideas, we will go there and bid. We don't believe in the contract where there are no technologies, we go where they want to introduce garbage compactors, transfer stations, or where they want to waste to be processed scientifically and bio-mining also. We look where bids are also prepared as per the international standards. There are a few bids in the pipeline, and we look forward to winning a few of them in the coming months.

Kaushal Kedia: Also, to win these contracts, is it like you need any merits, or is there some you know sort of nepotism that comes to play. I know it is a sensitive question, but just to get a better understanding?

Jose Jacob Kallarakal: Usually what happens is in our business, we always request the Government to appoint top 4 or top 5 consultants in the country, so that they prepare a quality bid and the bid based on technical and commercial marking. The bidder who holds a good ranking has a better chance to win the contract. We only bid for such contract where the bid is prepared professionally and as per international standard and which also the Government is looking forward to because they also want to modernize their present municipal waste management system. After all, in Swachh Bharat Abhiyan, every Municipality is evaluated and there is a ranking given, and better the ranking, the better they get funds, and also it is appreciated at the top level.

There is a lot of change in the solid waste management sector in the country, and every Municipality is going in the right direction by preparing proper bids and of late we have seen the Government also have brought in a new Law that the bids will not be awarded to the only L1 bidder. This is also a good opportunity for quality bidders like us to win more contracts at the Pan India level.

Kaushal Kedia: My last question is it has to be safe this season that you mentioned in points #4 and #5 of the notes to the financial sequence. It is approximately Rs. 8 Crore and Rs. 41 Crore. As an analyst what do you consider this to be?

NG Subramanian: Normally our pay receivables swing between 60-75 days on a weighted average basis and that is what we have maintained in the past and that is the range we are comfortable with. This is a mix of all the clients, we have certain clients based every month and certain clients based every quarter. In the last couple of quarters, we have seen some decent amount of improvement in our trade receivables, but we feel that once things stabilize at the urban local body financial level and the non-developmental expenditures also kick in we see our receivables to swings to around 65-70 days.

Kaushal Kedia: I am asking you with regards to the state receivables which are in arbitration, or which are not coming from the Municipality, which is mentioned in points #4 and #5 in the notes of financial settings of Rs. 8 Crore and Rs. 41 Crore.

NG Subramanian: Of that amount, we have provided a decent chunk of provisioning, and these are under arbitration processes. So, few of the arbitrations have already been awarded in the favour of the company. Now, based on the judicial process, the same will be remitted by the corporation to the company. These were part of the last year itself, but because of Covid, the priorities on these urban local bodies were refocused. We are in touch with the corporation, and we expect the same to be received in the next few quarters.

Kaushal Kedia: How much have they provided and which quarter have you provided?

NG Subramanian: It has been provided historically, nothing in the last quarter in the current financial, this has been provided historically.

Kaushal Kedia: Out of Rs. 8 Crore and Rs. 41 Crore of approximately how much have been provided for?

NG Subramanian: We would have provided around 75% of that amount.

Kaushal Kedia: If I see the previous quarter's financial, I should find the provision?

NG Subramanian: Yes.

Moderator: The next question is from the line of Harish from Harish Swaminathan Family Office. Please go ahead.

Harish: My question is related specifically to the income tax search. Now, the department had come out with communication that about Rs. 70 Crore in cash were taken and also that the property document for about Rs. 7 Crore was identified. Now, I wanted to know if this is true? And my second question is would we be liable for the action of our vendors.?

NG Subramanian: Answering your second part, no, we will not be liable to the action of the vendors because, at the most, we would be answerable to the point of justifying whether the services so claimed by

the company has been delivered by the vendors. These are services provided for renting of JCBs, truckers, tippers, and specialized equipment in our Delhi operation for which we have justification that we need to provide to the income tax authorities to justify that the expenses incurred in our books have genuinely been spent and TDS on the same has been deducted and given. The vendor then has to confirm whether on the receipt of his income, he has paid taxes or not and that is his lookout. This answers your point #2.

On point #1, the number that you are suggesting is highly inflated and there is no justification. All these expenses have been incurred under subcontracting points 94C and 94 IA of the schedules as the expenses have been incurred around the head of subcontracting since 2016. To give you a background, these expenses were incurred only for our Delhi operation, which was a 10-year project which the company had bagged in 2005. The project expired in 2015 and since then the project has been given a short-term extension of 6 months. The tender mentions that in the absence of a new tender or a new operator, the existing party has to continue to operate since this is an essential service. Now, as a company, when there is no visibility on how long a project is going to run, we always prefer to hire these vehicles because every tender that comes out mandates that we need to deploy new assets. We have hired these subcontractors in the Delhi project after 2016 only when the project life officially completed its tenure and was under an extension period. All the payment to the vendors has been made through NEFT, RTGS, and bank transfers, TDS has been deducted and the same has been deposited with the appropriate authorities. Now, all these vendors, a bulk of them are either sole trading concerns or MSMEs and the compliances are at their end. We have now realized that as a vendor profiling process we need to have a higher filtering mechanism. On the other part that you mentioned on the property details, those properties are not owned by the company and there has been no purchase of properties whatsoever by the company.

Moderator: The next question is from the line of Sunil Shah from Turtle Star Portfolio Management. Please go ahead.

Sunil Shah: My question is to understand the risk side of the business. The Kanjurmarg property we have in Mumbai where we are doing the processing work, as the tonnage grows you know, we will be having more and more of air pollution, so will have some kind of a threat that if the residence in and around that locality complain or there are some issues on that ground then the land area has to be shifted or what happens in such a situation? Meaning does the Government come there and protect our work which is happening. I just want to understand the risk element in the business.

Jose Jacob Kallarakal: To get a big chunk of land to do waste processing outside Mumbai is not that easy. So this land is allocated by the State Government and it was given to the Municipality only for waste processing. The risk of just shifting overall in a year or two is not that easy. That is one thing and the second thing is we are doing scientific processing where waste has been disposed scientifically and all the methane and all are sucked on and then with that methane gas we are generating power and electricity and also the organic part is converted into compost. So it is a

scientific process and if anybody visits, can see how well-advanced system we have. We are also now producing RDF of whatever waste we are generating, we are shredding the waste, and converting it into RDF means Refused Desired Fuel, which is a similar product like coal and we are marketing that as coal. It is a scientific process, and we have people visiting our site for academic reasons. It is very important for society. It is like having a toilet in our house, we cannot say we do not want to have a toilet, but we need a toilet. Every city needs a waste disposal site, and it has to be done properly, so residents do not complain.

Sunil Shah: My second question pertains to the contract that we have. In those 2 parts, the first is when we say we have contracts up to 2036 and 2040, it means we have a monopoly for the entire city of Mumbai, we will be the sole agency doing this work? And the second question pertains to is that in these contracts what are the broader terms, meaning it is in context with the tonnage, it is in context with the number of days that is in context with the vehicles which operate. How are those broader terms? I am not asking about the nitty-gritty, but just to get a sense of those things.

NG Subramanian: The tender says that it is a 25-year contract wherein you would be processing waste from the City of Mumbai and that is the minimum assured tonnage of around 3,000 tons per day going all the way up to 7,500 TPD gradually. So, the broader terminology is very simple, you will be asked to process around 7,500 TPD of the waste which the City of Mumbai generates. Currently, there is only one waste processing site, the other one is located in Deonar which is an open dumping ground and there is a waste-to-energy project that is being planned for construction in that area that is yet to start a commercial activity or construction activity as well. The tender clearly says that you will have to process around 7,500 TPD minimum over the project life.

Sunil Shah: In that period, we will be the virtual monopoly meaning there will be no other company that can bid sometime in between that, nothing of that, and it remains with us?

NG Subramanian: Today, the City of Mumbai generates anywhere between 8,500 to 9,000 TPD. There is a significant amount of pressure on the authority to reduce the generation because there is not adequate space for the waste to be disposed of. The existing site at Kanjurmarg where Antony is operating, based on the design that we have today, can process up to 7,500 TPD. The balance waste is currently dumped openly at Deonar. To answer your question, currently, we have a monopoly of the entire waste that has been processed in the City of Mumbai. The Government is also putting up a waste-to-energy project in Deonar, which would also cater to the MSW waste generated by the city.

Sunil Shah: So, our revenues are linked to the quantum that is the 7,500 tons we are talking about, correct?

NG Subramanian: Yes.

Moderator: Ladies and Gentlemen, that was the last question for today. I now hand the conference over to Mr. Jose Jacob for closing comments. Thank you and over to you sir.



*Antony Waste Handling Cell Limited
November 15, 2021*

Jose Jacob Kallarakal: Thank you, everyone. I would like to state that we believe the growth story remains vibrant and strong. In the coming years, we will continue to pursue top line growth through contract wins as well as volume and value growth. I would like to thank everyone who took the time to listen to our earning call. I hope, we were able to adequately address your questions and if you require any additional information, please contact SGA, our investor advisor.

Please take care and stay safe and wish you all a happy and healthy New Year in advance.

Thank you very much.

Moderator: Ladies and Gentlemen on behalf of Antony Waste Handling Cell Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.