Antony Waste Handling Cell Private Limited

May 22, 2018

Ratings

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities: Fund based</td>
<td>27.50</td>
<td>CARE BBB; Stable (Triple B; Outlook: Stable)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Short-term Bank Facilities: Non-fund based</td>
<td>33.00 (Enhanced from 23.00)</td>
<td>CARE A3 (A Three)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Total Facilities</td>
<td>60.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Antony Waste Handling Cell Private Limited (AWHCPL) factor in the Experience of the promoter companies in the business of waste management, revenue visibility on account of multi-year Concession agreement entered into with various municipal corporations across India, Diversified revenue streams, Healthy operating margins and positive outlook for the business on account of increasing population and consumption power leading to higher generation of municipal solid waste.

The rating strengths however are tempered by the Small scale of current operations with limited track record, exposure to receivables from municipal authorities with track record of delayed payments, Changes in the Government rules and regulations which may affect the operations of the company.

Timely receipt of payments from various counterparties remains the key rating sensitivity factor.

Detailed description of the key rating drivers

Key Rating Strengths

Experience of the promoter companies in the business of waste management

AWHCPL is one of the leading players in the field of Solid Waste Management services in the country. The group has been undertaking waste management services for more than a decade. The activities carried out by the group include trading of Compactors, Dumpers etc. for carrying MSW, collection and transportation (C&T), Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills.

Revenue visibility on account of multi-year concession agreements

The company through its subsidiaries has entered into multi-year concession agreement with various Municipal bodies across India. Once the concession agreement ends, the company re-bids for the project; and the contract is awarded by the municipalities if the company meets bidding criteria, performance evaluation of previous contracts etc. The co. has recently bid for 2-3 contracts in C&T segment and Waste-to-energy projects whereby the company is hopeful to bag the contracts. So, the ongoing contracts along with the recently bid contracts significantly provides future revenue visibility.

Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications
Press Release

Diversified revenue streams
Since the company is the complete Waste management solution provider, it provides a range of services that include trading of Compactors, Dumpers etc. for carrying MSW, collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills etc., having contracts with various municipal bodies across India; hence there is no revenue concentration, which in turn has mitigated the counterparty risk.

Positive outlook for the business on account of increasing population and consumption power leading to higher generation of MSW
Much of the waste India produces simply ends up in landfills without proper processing or treatment – redirecting this untapped waste to proper treatment and processing facilities will open up new investment possibilities. Increasing population, growing consumerism, and high use of electrical and electronic equipment are increasing waste volumes across different type of waste streams. With the revision in regulations by the Ministry of Environment, Forest and Climate Change, source segregation, material recovery, waste treatment, and recycling markets are expected to witness high growth opportunities.

Healthy operating margins on account of lower maintenance costs.
Company is earning healthy operational margins in in C&T, trading of bins and mechanical sweeping segment, wherein major operational costs are employee costs, power and fuel, R&M of vehicles. It also earns decent margins in case of waste processing, segregation and bio-reactor landfiling activities. The operating costs of the company primarily comprise of power and fuel cost, employee costs and hire charges. Further, since the company also produces power and uses the same for captive consumption, the power cost also reduces to some extent.

Key Rating Weaknesses
Small scale of current operations with limited track record
Out of total 205 municipal Corporations (Excluding Municipalities and ULBs) in India, currently the company as a group is catering to 8-9 Municipal Corporations. Hence, the Small scale of operations restricts company’s financial flexibility and also deprives it of benefits of economies of scale.

In case of its waste processing business involving bio-reactor landfills, the company has small scale of operations and a track record of less than two years. The processing generally takes about 5-6 years and hence the effectiveness of the scientific processing would be known only after completion of the said period.

Exposure to receivables from municipal authorities with track record of delayed payments
There are some delays observed in recovery of outstanding amount from some of the municipal corporations. The delays are typically caused by various constraints, straitjacketed rules and bureaucratic procedures that the government departments work under including budget squeeze, disputes etc. Co is in discussion with various municipalities to recover the disputed amount through alternate dispute mechanisms including negotiation, conciliation, mediation and arbitration and is hopeful to recover the disputed sums.

Changes in the Government rules and regulations may affect the operations of the company
The company is exposed to changes in the regulatory environment. Any downward revision in the Tipping Fee or C&T fees will impact the revenues of the company. Furthermore, any change in regulation which renders the operations of the company environmentally hazardous or anything which would lead to repudiation of the contract may have adverse impact on the operations of the company. The company is therefore exposed to regulatory, environmental and political risks.

**Analytical approach:** Consolidated
For the purpose of analysis, we have taken a consolidated view of the Antony Waste Handling Cell Pvt Ltd along with its 5 subsidiaries, including ALESPL, which are also into waste management businesses as they are under the same management and have operational linkages.

**Applicable Criteria**
- Criteria on assigning Outlook to Credit Ratings
- Criteria for Short Term Instruments
- CARE’s Policy on Default Recognition
- Rating Methodology - Infrastructure Sector Ratings
- Financial ratios – Non-Financial Sector
- Rating Methodology: Factoring Linkages in Ratings

**About the Company**
Incorporated in Jan 2001, Antony Waste Handling Cell Private Limited (AWHCPL) is one of the leading players in the field of Solid Waste Management services in India. It is a part of Antony Group which has been undertaking waste management services for more than a decade. The activities carried out by the group include trading of Compactors, Dumpers etc. for carrying MSW, collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills. As on March 31, 2017 AWHCPL has five subsidiaries which cater to various waste management projects.

**Brief Consolidated Financials (Rs. crore)**

<table>
<thead>
<tr>
<th></th>
<th>FY16 (A)</th>
<th>FY17 (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income</td>
<td>222.51</td>
<td>247.4</td>
</tr>
<tr>
<td>PBILDT</td>
<td>68.71</td>
<td>72.28</td>
</tr>
<tr>
<td>PAT</td>
<td>23.1</td>
<td>31.44</td>
</tr>
<tr>
<td>Overall gearing (times)</td>
<td>1.42</td>
<td>1.04</td>
</tr>
<tr>
<td>PBILDT Interest coverage (times)</td>
<td>2.91</td>
<td>3.5</td>
</tr>
</tbody>
</table>

*A: Audited*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.
About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-based - LT-Working Capital Limits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27.50</td>
<td>CARE BBB; Stable</td>
</tr>
<tr>
<td>Non-fund-based - ST-Bank Guarantees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33.00</td>
<td>CARE A3</td>
</tr>
</tbody>
</table>

Annexure-2: Rating History of last three years

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Current Ratings</th>
<th>Rating history</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type</td>
<td>Amount Outstanding (Rs. crore)</td>
<td>Rating</td>
</tr>
<tr>
<td>1.</td>
<td>Fund-based - LT-Working Capital Limits</td>
<td>LT</td>
<td>27.50</td>
</tr>
<tr>
<td>2.</td>
<td>Non-fund-based - ST-Bank Guarantees</td>
<td>ST</td>
<td>33.00</td>
</tr>
</tbody>
</table>
CONTACT
Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55, First Floor, Phase 11, Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar, Hyderabad - 500 029.
Cell: + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.) 10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
Email: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691