

Antony Waste Handling Cell Limited

April 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	27.50	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Short Term Bank Facilities	33.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	60.50 (Rs. Sixty Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Antony Waste Handling Cell Limited (AWHCL) takes into consideration improvement in operating performance and cash accruals of the company over the past 3 years and 9MFY22 due to incremental contracts with government bodies. The ratings also factor in the experience of the promoters in the business of waste management and established track record, revenue visibility in the group on account of multi-year concession agreements entered into with various municipal corporations across India, diversified revenue streams from various business segments, healthy operating margins and stable outlook for the business on account of increasing population and consumption leading to higher generation of municipal solid waste.

The rating strengths however are tempered by the stretched receivables from waste C&T (collection & transportation) segment due to delay in recovery from municipal authorities and ongoing litigations, changes in Government rules and regulations which may affect the operations of the company. The ratings are further constrained by project execution risk which arises due to the ongoing WTE (Waste to Energy) project in Pimpri with total cost of Rs.246crore constituting significant portion of net-worth at consolidated level which is expected to be commissioned by the end of FY23. CARE also understands that the projects that are being envisaged in the upcoming 2 years are to be funded through term loans of ~Rs.276crore and internal accruals as well as free cash available with the company.

CARE would continue to closely monitor the progress of the execution of WTE project in timely manner within the envisaged cost and any delay or deviation in the same would be key credit rating monitorable.

Rating Sensitivities

Positive Factors

- Successful execution of the WTE project without any cost or time overruns and generation of adequate incremental revenue from the project as envisaged
- Improvement in overall gearing below 0.7 times (on consolidated level) on sustained basis
- Substantial increase in scale of operations
- Improvement in collection period to 60 days or less on a sustained basis

Negative Factors

- Any significant debt funded capex undertaken by the company resulting in Overall Gearing of more than 1x in the medium term (on consolidated level)
- Any further stretch in the collection period resulting in lower cash accruals and weak debt protection metrics with Average DSCR below 1.5x times

Detailed description of the key rating drivers

Key Rating Strengths

Experience of the promoter companies in the business of waste management

Antony Waste Handling Cell Limited (AWHCL), promoted by Mr. Jose Jacob, Mr. Shiju Jacob, and Mr. Shiju Antony is one of the leading players in the field of Solid Waste Management services in the country. Promoters have vast experience in waste management industry. The group has established track record for undertaking waste management services for more than 2 decades. The activities carried out by the group include Collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills, trading of Compactors, Dumpers etc. for carrying MSW etc.

Revenue visibility on account of multi-year concession agreements from various business segments

AWHCL 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. C&T projects are generally awarded for a period of 7-10 years, while waste processing contracts has a concession period of over 20 years which provides future revenue visibility to tune of ~Rs.700 crore annually (on consolidated level) over the next 5 years on account of existing contracts won by the company over the past few years. Further the company also has bio-reactor landfills (BLF) and material recovery facility

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

(MRF) facility in Kanjurmarg, Mumbai under Antony Lara Enviro Solutions Private Limited (ALESPL) with concession agreement till 2036. Thus, the group has revenue visibility under long term contracts with escalation clauses in the tipping fees by various entities. During 9MFY22, there has been significant increase in total consolidated revenue by ~39% mainly due to the new contracts won in the previous year.

Diversified revenue streams

Since the group is a complete Waste management solutions provider, it provides a range of services that include, collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills, trading of Compactors, Dumpers etc. for carrying MSW, Bio-reactor landfill facility, etc. having contracts with various municipal bodies across India; The company currently also has a WTE project under subsidiary i.e. Antony Lara Renewable Energy Private Limited (ALREPL) in which it has entered into contract with Pimpri Chinchwad Municipal Corporation with expected commencement of operations from FY24, post which it will add ~R.50-60 crore of incremental revenue.

Healthy operating margins on account of lower maintenance costs

Antony Waste group is earning healthy operational margins in C&T and mechanical sweeping segment, wherein major operational costs are employee costs, power and fuel, Repairs and maintenance of vehicles. It also earns high operational margins in case of waste processing, segregation and bio-reactor landfilling activities. The operating costs of the company primarily comprise of power and fuel cost, employee costs and hire charges. The power cost is also reduced to some extent since the company produces power from 0.95 MW waste-to-energy power plant which is a part of its waste processing unit situated in Kanjurmarg, Mumbai and uses the same for captive consumption.

Key Rating Weaknesses

Small scale of operations

Out of total 205 municipal Corporations (Excluding Municipalities and ULBs) in India, currently the group is catering to largely 15 Municipal Corporations. Hence, the small scale of operations restricts group's financial flexibility. The waste processing business under ALESPL involves BLF and MRF facilities with track record of around 5 years. The processing generally takes about 6-7 years and hence the effectiveness of the scientific processing would be known only after completion of the said period. Thus, overall, the company has small scale of operations.

Exposure to receivables from municipal authorities with track record of delayed payments

Total Debtors outstanding amount at group level stood at Rs.214.77crore as on December 31, 2021 out of which ~63% is due for more than 90 days (excluding retention money of Rs.64crore). Around ~85% of total projects make payments on monthly basis and balance on quarterly basis. However, 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. Company is in discussion with various municipalities to recover the disputed amount through alternate dispute mechanisms including negotiation, conciliation, mediation and arbitration. These are long pending dues whose contracts have already been concluded 5-6 years back. The collection period of the company remained largely stable at 101 days as on March 31 2021 on consolidated basis.

Project risk pertaining to ongoing WTE Project and debt funded capex for contracts

The company is also in the process of setting up WTE (Waste to Energy plant) with capacity of 14MW in Pimpri district for which it has entered into agreement with Pimpri Chinchwad Municipal Corporation (PCMC) for supply of power and MSW collection and transportation. Construction of the project will be completed in a time frame of 15-18 months from financial closure. Plant is scheduled to be commissioned by the end of FY23. Total cost of the project is 246 crores with debt component of Rs.172 crore. Out of total equity amount of Rs 74 crore, promoters had already infused ~Rs.65 crore in the project as on December 31, 2021. Since the WTE project is capital intensive, Rs.50crore capital grant is expected to be received from the government which would be distributed to promoters and lenders in DER ratio of 70:30. Power will be purchased by PCMC on net metering basis at the rate of Rs.5/unit. Further, the company will also generate revenue through tipping fees at Rs.502/tonne for collection of waste in the project. Since the project is a new venture for the company in this segment with no prior experience along with limited track record and viability of WTE projects in India, the company is exposed to project risk with respect to timely execution of the same within envisaged cost and timelines.

The company majorly relies on debt capital to fund the capital expenditure required. Although, capital expenditure is debt funded, overall gearing improved to 0.49times as on March 31, 2021 due to repayment of term loans during the fiscal. However, this is expected to moderate in future and remain below levels of 1.2 to 1.3 times in the next 4-5 years. Total debt (on consolidated level) is expected to increase in FY23 mainly to fund the purchase of vehicles (i.e. tippers used for collection and transportation of MSW) required to be deployed for catering to new and renewed contracts with municipalities and the WTE project.

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. Many Municipalities have been struggling to fund various solid waste management projects from their own revenue receipts. Hence, Municipalities are highly dependent on state/central grants/budget allocation to fund various projects. Any adverse change in government policies or focus, delay in payment, decline in budgetary allocation

for MSW may adversely affect company's business, financial condition, results of operations and prospects; hence the Company is exposed to regulatory, environmental and political risks.

Liquidity: Adequate (AWHCL – Consolidated)

AWHCL on consolidated basis had Rs.117crore of free cash and Liquid investments as on March 31, 2021. Further, working capital limits have been taken up for AWHCL only. Average Fund based and non-fund-based facilities of AWHCL were fully utilized for the past 12 months. The company is expected to generate gross cash accruals of ~Rs.117crore, which is sufficient to cover repayment obligations in FY22.

Analytical approach: CARE has undertaken consolidated approach wherein financials of Antony Waste Handling Cell Limited (holding company) have been consolidated with subsidiaries since all the companies collectively provide waste management services. For WTE loan facility, ALESPL and AG Enviro have extended corporate guarantee for project finance loan to be availed by ALREPL for WTE project. List of companies consolidated under AWHCL is provided in Annexure 5.

Applicable Criteria

Criteria on assigning rating outlook and credit watch

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology: Consolidation

Rating Methodology - Infrastructure Sector Ratings

Financial ratios – Non-Financial Sector

Liquidity Analysis of Non-financial Sector Entities

About the Company

Incorporated in Jan 2001, AWHCL is one of the leading players in the field of Municipal Solid Waste (MSW) management services in India. It is a part of Antony Group having diversified business interests mainly in automotive body building and ancillary industries. The company which has been undertaking waste management services has an established track record of 20 years. The group provides full spectrum of MSW services which include trading of Compactors, Dumpers etc. for carrying MSW, undertaking transportation of MSW to dumping grounds, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Waste disposal and Engineering Sanitary Landfills primarily catering to Indian Municipalities. As on December 30, 2020, the company, along with 7 subsidiaries have undertaken total of ~35 projects of which 18 are ongoing and revenue generating. (12 MSW C&T Projects, 2 MSW Processing projects and 4 Mechanized sweeping projects). The company also has a fleet of 1100+ vehicles for execution of the projects. The company also has a bio-reactor landfill facility in Kanjurmarg, Mumbai.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22(UA)
Total operating income	464.16	479.90	473.95
PBILDT	135.52	124.80	120.38
PAT	47.15	64.07	64.97
Overall gearing (times)	1.27	0.49	NA
Interest coverage (times)	4.94	7.50	NA

A: Audited; UA: Un-audited; NA: not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	27.50	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	33.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working Capital Limits	LT	27.50	CARE BBB; Stable	-	-	1)CARE BBB-; Stable (23-Feb-21) 2)CARE BBB-; Stable (23-Jul-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (24-Mar-20)
2	Non-fund-based - ST-Bank Guarantee	ST	33.00	CARE A3	-	-	1)CARE A3 (23-Feb-21) 2)CARE A3 (23-Jul-20)	1)CARE A4; ISSUER NOT COOPERATING* (24-Mar-20)

*Long term/ short term

Annexure-3: Detailed explanation of covenants of the rated facilities- Not applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: List of companies consolidated under AWHCL

Sr. No	Name of entity	% holding
1.	AG Enviro Infra projects Private Ltd	100
2.	KL Envitech Private Ltd	100
3.	Antony Lara Enviro solutions Private Ltd	63
4.	Antony infrastructure and waste management services Pvt Ltd	100
5.	Antony Revive E-waste Private Ltd	100
6.	Antony Lara Renewable Energy Private Limited	81
7.	Varanasi Waste Solutions Private Limited	98

Annexure 6: Bank Lender DetailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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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.

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