# Antony Waste Handling Cell Limited

April 05, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 16.50 (Reduced from 27.50) | CARE BBB+; Stable | Revised from CARE BBB; Stable |
| Short-term bank facilities | 19.00 (Reduced from 33.00) | CARE A3+ | Revised from CARE A3 |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Antony Waste Handling Cell Limited (AWHCL) takes into continuous improvement in the operating performance of the company due to incremental and recurring contracts with government bodies. The ratings continue to 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 susceptibility of profitability margins to variation in waste quantity and input costs, 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.

## Rating sensitivities: Factors likely to lead to rating actions

**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 0.5 times (on consolidated level) on sustained basis
• Increase in scale of operations to above Rs. 1000 crore with PBILDT margin of 25% on sustained basis
• 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

**Analytical approach**: CARE Ratings Limited (CARE Ratings) 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 6.

**Outlook:** Stable. CARE Ratings believes that AWHCL would benefit from its established market position in the environmental services sector while maintaining a comfortable credit profile.

## Key strengths

**Experience of the promoter companies in the business of waste management**

AWHCL, promoted by Jose Jacob, Shiju Jacob, and Shiju Antony is one of the leading players in the field of Solid Waste Management services in the country. The promoters have vast experience in the waste management industry. The group has established track record for undertaking waste management services for more than two decades. The activities carried out by the

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

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 around ₹700 crore annually (on consolidated level) over the next five years on account of the existing contracts won by the company over the past few years. Furthermore, the company also has bio-reactor landfills (BLF) and material recovery facility (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 FY22, there has been increase in total consolidated revenue by around 40% mainly due to the new contracts won in the previous year.
During 9MFY23, AWHCL reported revenue of ₹652 crore (9MFY22: ₹460 crore), increased significantly by around 42% on Y-o-Y basis.

In FY23, AG Enviro Infra Projects Private Limited, a material subsidiary of the Company, has been awarded a contract for "Collection, Transportation, Processing, and Disposal of Construction & Demolition (C&D) Waste in Mumbai City" of 600 tonnes per day. The contract is worth ₹1,146 crores for a 20-year concession period.

**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 around ₹50-60 crore of incremental revenue.

**Healthy operating margins on account of lower maintenance costs**
The Antony Waste group is earning healthy operational margins in 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 weaknesses**

**Operating margins exposed to variation in waste quantity and input cost**
PBILDT margins have remained volatile on account of fluctuations in waste received and input costs. Furthermore, unanticipated increase in input costs may also impact margins in future.

**Exposure to receivables from municipal authorities with track record of delayed payments**
There are delays observed in recovery of outstanding amount from some of the municipal corporations. The delays are typically caused by various budgetary constraints, straitjacketed rules and bureaucratic procedures that the government departments work under including budget squeeze, disputes etc. Out of Rs.166 crore gross outstanding debtors as on March 31, 2022 debtors having ageing of more than six months are around ₹81 crore (around 49% of total receivables). However, the collection period of the company improved to 83 days in FY22 compared to 101 days in FY21 on consolidated basis.

**Project risk pertaining to ongoing projects and debt funded capex for contracts**
The company is 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 is expected to complete and plant is scheduled to be commissioned by FY24. Total cost of the project is ₹246 crore with debt component of ₹172 crore. Out of total equity amount of ₹74 crore, the promoters had already infused around ₹65 crore in the project as on December 31, 2021. Since the WTE project is capital intensive, ₹50crore capital grant is expected to be received from the government which would be distributed to the promoters and lenders in DER ratio of 70:30. Power will be purchased by PCMC on net metering basis at the rate of ₹5/unit. Furthermore, the company will also generate revenue through tipping fees at R₹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.
Furthermore, the company has been awarded a contract for "Collection, Transportation, Processing, and Disposal of Construction & Demolition (C&D) Waste in Mumbai City" of 600 tonnes per day. The contract is worth ₹1,146 crores for a 20-year concession period. The total cost estimated is approximately ₹75 crore. It will be funded through ₹50 crore of term loan and balance through internal accruals in FY24.
Although, capital expenditure is debt funded, the overall gearing is comfortable and marginally improved to 0.33 times as on March 31, 2022 (PY: 0.35times) due to repayment of term loans during the fiscal. However, this is expected to moderate in future and remain below levels of 0.9 to 1 times in the next 2-3 years.
Going forward, ability to focus on capex-free model for executing the contracts will be critical towards debt reduction in the long term.

**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 on consolidated basis had ₹91 crore of free cash and Liquid investments as on March 31, 2022. The average fund-based and non-fund-based facilities of AWHCL were fully utilized for the past 12 months. The company on consolidated basis is expected to generate gross cash accruals of ₹125-135 crore, which is sufficient to cover principal repayment obligation of ₹38 crore in FY23 and ₹58 crore in FY24.

## Environment, social, and governance (ESG) risks

**Environmental**:

- Greenhouse gasses created by Bioreactor landfill are captured through infiltration galleries and used for captive power generation.
- Vehicles for Collection & Transportation are compliant with the most recent BS-IV/VI standards and have a PUC.
- The biochemical oxygen demand (BOD) of the leachate is reduced to allowable values.

**Social:**
- 100% Coverage of POSH policy across all the sites. Compatible infrastructure for women employees.
- ISO 9001:2015 certification for quality management system that consistently provides products and services that meet customer and applicable statutory and regulatory requirements.
- In accordance with Schedule VII of the Company's Act 2013, Antony has a CSR Policy that is primarily focused on Health, Education, and the Environment.

**Governance:**

- All Directors and Senior Members of the Core Management Team who are one level below the Board of Directors are subject to the Code of Conduct.
- The Board approved ESG policy and dedicated committee to provide oversight on key ESG issues.

## Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies
Policy on Withdrawal of Ratings

## About the company and industry

### Industry Classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Utilities | Utilities | Other Utilities | Waste Management |

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 the 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.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | 9MFY23 (UA) |
|---|---|---|---|
| Total operating income | 463.64 | 648.16 | 652.48 |
| PBILDT | 108.54 | 146.61 | 128.60 |
| PAT | 64.07 | 90.40 | 72.18 |
| Overall gearing (times) | 0.35 | 0.33 | NA |
| Interest coverage (times) | 4.00 | 7.65 | NA |

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available

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

**Any other information:** Not applicable

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

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated**: Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Working Capital Limits | | - | - | - | 16.50 | CARE BBB+; Stable |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 19.00 | CARE A3+ |

**Annexure-2: Rating history for the last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Working Capital Limits | LT | 16.50 | CARE BBB+; Stable | 1)CARE BBB; Stable (07-Apr-22) | - | 1)CARE BBB-; Stable (23-Feb-21)<br><br>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 | 19.00 | CARE A3+ | 1)CARE A3 (07-Apr-22) | - | 1)CARE A3 (23-Feb-21)<br><br>2)CARE A3 (23-Jul-20) | 1)CARE A4; ISSUER NOT COOPERATING* (24-Mar-20) |

*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not applicable

### Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Working Capital Limits | Simple |
| 2 | Non-fund-based - ST-Bank Guarantee | Simple |

### Annexure-5: Lender details

| |
|---|
| To view the lender wise details of bank facilities please click here |

### Annexure 6: 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. | 73 |
| 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 | 86 |
| 7. | Varanasi Waste Solutions Private Limited | 98 |

**Note on the complexity levels of the rated instruments:** CARE Ratings 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.

## Contact us

| Media Contact | Analytical Contacts |
|---|---|
| Name: Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Name: Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: +91-22-67543404<br>E-mail: saikat.roy@careedge.in | **Name:** Sudarshan Shreenivas<br>Director<br>**CARE Ratings Limited**<br>Phone: 022- 6754 3566<br>E-mail: sudarshan.shreenivas@careedge.in<br><br>Name: Arunava Paul<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: 022-6754 3667<br>E-mail: arunava.paul@careedge.in<br><br>Name: Pooja Tripathi<br>Lead Analyst<br>**CARE Ratings Limited**<br>E-mail: pooja.tripathi@careedge.in |

**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



**For the detailed Rationale Report and subscription information, please visit www.careedge.in**