

## Antony Waste Handling Cell Limited

March 24, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	27.50	<b>CARE BB+; Stable; ISSUER NOT COOPERATING (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING)</b>	<b>Issuer Not Cooperating; Revised from CARE BBB; Stable (Triple B; Outlook: Stable) on the basis of best available information</b>
Short-term Bank Facilities	33.00	<b>CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING)</b>	<b>Issuer Not Cooperating; Revised from CARE A3 (A Three) on the basis of best available information</b>
<b>Total facilities</b>	<b>60.50 (Rs. Sixty Crore Fifty Lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Antony Waste Handling Cell Limited to monitor the ratings vide e-mail communications/letters dated February 12, 2020, February 19, 2020, February 21, 2020, February 25, 2020, March 04, 2020, March 07, 2020, March 17, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Antony Waste Handling Cell Limited's bank facilities will now be denoted as **CARE BB+; Stable/CARE A4; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The ratings have been revised on account of lack of information regarding requisite details required for the rating exercise of Antony Waste Handling Cell Limited (AWHCL) resulting in uncertainty around its credit risk. CARE views information availability risk as a key factor in its assessment of credit risk and has reviewed the rating on the basis of best available information from public domain.

### Detailed description of the key rating drivers

*At the time of last rating on February 19, 2019, the following were the rating strengths and weaknesses (updated with latest consolidated financials FY19(A) and H1FY20 (A) along with the red herring prospectus (RHP) filed for the IPO available on the company's website)*

### Key Rating Weaknesses

#### **Small scale of current operations and client concentration risk**

Out of total 205 municipal Corporations (Excluding Municipalities and ULBs) in India, currently the company as a group is catering to 10-12 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 three 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. Further, significant portion of the revenue is derived from limited customers as provided in the table below

Year	Contribution of top 5 clients to Total Revenue
FY17	89.8%
FY18	90.8%
FY19	93.7%
H1FY20	84.9%

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

***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. The company 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. These are long pending dues whose contracts have already been concluded 5-6 years back. Out of Rs.150.4 Crore outstanding debtors (excluding loss allowances) as on September 31, 2019 debtors having ageing of more than 90 days are ~Rs.107 Cr (~70% of total receivables).

***Reliance on debt capital for capex; Withdrawal of IPO***

Antony Waste Handling Cell Limited (WHCL) majorly relies on debt capital to fund the capital expenditure required. During FY19, company has planned to raise ~Rs.66 Crore to fund the purchase of vehicles (i.e. tippers used for collection and transportation of MSW) required to be deployed for catering to new contracts in Noida and Mumbai region and renewed contracts with existing municipalities, out of which co. has already bought vehicles of ~Rs.42 Cr. Although, Promoters have infused equity capital during FY19, overall gearing has deteriorated from 0.65x on 31<sup>st</sup> March, 2018 to 0.76x as on March 31, 2019 primarily to increased debt. Antony Waste Handling Cell Limited had also announced IPO during March 2020, wherein the company planned to raise Rs.35 crore vide fresh issue of equity shares and Offer for sale amounting to total issue size of Rs.206 crore with a price band of Rs.294 – 300. The net proceeds from the issue were proposed to be utilized towards repayment of consolidated debt amounting to. However, the issue was subscribed by ~50% as on issue closing date despite extending the subscription deadline partly on account of weak market sentiments, global market volatility. The company has now withdrawn its IPO due to the tepid response, thus leverage of the company is expected to continue at similar levels.

***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.

**Key Rating Strengths*****Experience of the promoter companies in the business of waste management***

Antony Waste Handling Cell Limited (AWHCL), promoted by Mr. Shiju Jacob, Mr. Jose 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 been undertaking waste management services for more than a decade. 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***

Antony Waste Handling Cell Limited through its subsidiaries has entered into multi-year concession agreement with various Municipal bodies across India. C&T projects are generally awarded for a span of 8 years, while waste processing contracts has a concession period of over 20 years. 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 (i.e technical bid, financial bid) performance evaluation of previous contracts etc. As on January 01, 2020, the company has undertaken 25 projects of which 17 are ongoing. (11 MSW C&T Projects, 2 MSW Processing projects and 4 Mechanized sweeping projects). The company also has a fleet of 1,089 vehicles for execution of the projects.

***Diversified revenue streams***

Since the company is the complete Waste management solution 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 etc. having contracts with various municipal bodies across India; Co. is also planning to venture into waste-to-energy project. In this segment, co. has won the contract with Pimpri Chinchwad Municipal Corporation and it is expected to commence operations upon receipt of requisite approvals. Hence there is limited revenue concentration risk either sub-segments wise or geography-wise.

### **Healthy operating margins on account of lower maintenance costs.**

Antony Waste Handling Cell Limited has healthy PBILDT margin of 25-30% in C&T, trading of bins and mechanical sweeping segment, wherein major operational costs are employee expense, power and fuel, R&M of vehicles. As per company's policy, all the vehicles are purchased, used for C&T activities and scrapped later due to their wear and tear at the end of the contract term. The company has a fleet of 1089 vehicles which has been procured from BUCHER Municipal AG and Compost System GmbH. Presence of sufficient owned fleet resulting in easy access provides cost efficiency in terms of transportation costs. It has PBILDT margin 45-50% 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. Currently, around ~74.6% of the projects have escalation clauses embedded in the contracts with clients. Further, since the company also produces power (0.5 MW bio reactor based power plant at Kanjurmarg, Mumbai) and uses the same for captive consumption, the power cost also reduces to some extent.

### **MSW Industry Analysis**

Urbanization is a critical factor driving the MSW generation in the country. Changing lifestyle patterns, increasing disposable incomes, have paved way for consumerism and, have also contributed to waste generation in urban India. MSW generation is expected to grow at a CAGR of 5% (FY 2018-23) from 55 Million TPA in FY 2018 to reach 70 Million TPA by FY2023. The MSW Management market is estimated at INR 30,000 Million for FY2018 and is expected to reach INR 62,000 Million by FY 2023 at a CAGR of 15.6%. Increasing participation of professional players in collection and transportation services and development of scientific recycling and disposal methods for management of MSW is expected to be key driver for the market. 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. (Source: Frost & Sullivan Report)

**Liquidity:** Co. had Rs.31.58 crore of cash and cash equivalents as on 31<sup>st</sup> March, 2018 besides margin money in fixed deposits. Average working capital utilization and non-fund based facility of AWHCL is ~95% and ~89% in last 12 Months as on March 31, 2018. cash and cash equivalents position of ~Rs.9 Crore as on 31<sup>st</sup> December, 2018 besides margin money in FDs which is sufficient to cover gross loan repayments in next 3-4 months as and when due.

**Analytical approach:** Consolidated. For the purpose of analysis, we have taken a consolidated view of Antony Waste Handling Cell Limited wherein we have considered balance sheets of below subsidiaries along with standalone entity since all the companies cumulatively provide waste management services

Sr no	Name of entity	% effective holding as on 31 <sup>st</sup> March, 2019	Principal Business Activity
1	AG Enviro Infra projects Pvt Ltd	100	Collection & transportation of waste
2	KL Envitech Pvt Ltd	100	
3	Antony Lara Enviro solutions Pvt Ltd	63	
4	Antony infrastructure and waste management services Pvt Ltd	100	Mechanical Power Sweeping of roads
5	Antony Revive E-waste Pvt Ltd	100	Collection transporting and processing of e-waste
6	Antony Lara Renewable Energy Private Limited	81%	WTE facility

### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

### About the Company

Incorporated in Jan 2001, Antony Waste Handling Cell Limited (AWHCL) 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 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. As on March 31, 2018 AWHCL has five subsidiaries which cater to various waste management projects.

Brief Financials (Rs. crore) –AWHCL Consolidated	FY18 (A)	FY19 (A)
Total operating income	287.02	296.54
PBILDT	78.71	84.01
PAT	38.48	31.51
Overall gearing (times)	0.65	0.76
Interest coverage (times)	3.77	3.92

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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 BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	33.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information

### 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Working Capital Limits	LT	27.50	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable on the basis of best available information	-	1)CARE BBB; Stable (19-Feb-19)	1)CARE BBB; Stable (30-Mar-18)	-

2.	Non-fund-based - ST-Bank Guarantees	ST	33.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	1)CARE A3 (19-Feb-19) 2)CARE A3 (22-May-18)	1)CARE A3 (30-Mar-18)	-
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**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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